



The Advocate

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The Advocate staff would like to thank John Zarian, Matt Christensen, Matt Hedberg, and Ken Pedersen for their help in editing this issue. A special thanks to John, for giving up his weekend to help with abstracts, wayward footnotes, and final edits.

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Leaves in Motion, 2004. Photograph by Don Gadda, Boise attorney, taken at Veterans Park, Boise, Idaho.

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This issue of *The Advocate* is sponsored by the Intellectual Property Law Section of the Idaho State Bar.

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COMING NEXT ISSUE

Watch for the following to appear in the October issue of *The Advocate*:

- 2007 Idaho State Bar
Annual Meeting photos
- Distinguished Lawyer Recipients
- Service Award Recipients

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PUBLIC LEGAL EDUCATION: CHANGE IS OFTEN DESIRABLE, FREQUENTLY NECESSARY AND ALWAYS INEVITABLE

Andrew E. Hawes



In April, the *Idaho Business Review* featured an article about the growth of the wine industry in Southwestern Idaho. The article, "The New Napa Valley?" reported that the U.S.

Department of Treasury named the Snake River Valley of southern Idaho an American Viticultura Area. It said this designation will boost local wine grower's prominence in the national market. When I read the headline, "The New Napa Valley?" I could hear my late Grandfather, Rodney Hawes laughing all the way from Boise's Pioneer Cemetery at such a proposition. It would be hard to imagine this Bruneau native, former Publisher of the *Owyhee Nugget* and long-time Southwestern Idaho advocate to take seriously a comparison of Southwestern Idaho to Napa Valley, California. Grandpa, would have thought it as believable as a Tex Ritter song about merlot and Gouda cheese. Joking aside, I do believe he would have accepted the possibility of Southwestern Idaho as the "New Napa Valley." After all, in the final publication of the *Owyhee Nugget*, he acknowledged in his send-off editorial that "change is often desirable, frequently necessary and always inevitable."

Indeed, Grandpa is right ... change is always inevitable. This is true with respect to the practice of law in the state of Idaho. Over the past 20 years, the Idaho State Bar has seen an increase of 2384 attorneys, representing a 92.5% increase. The age 50 plus category is up from 30% in 1999 to 47%. Half of the in-state lawyers are located in the 4th Judicial District and 70% now work in populated areas over 50,000. There has been an increase in specializations in the practice of law such as intellectual property and international law.

Some traditional fields are also expanding such as construction law and water law. The practice of law in Idaho is regionalized and national in nature. Nearly 30% of Idaho attorney's hold licenses in other states. Nearly 25% of attorney's report their practice is either regional or national in nature.

A change in the legal education system in the state of Idaho is necessary in order to meet the changing needs of the practice of law. The University of Idaho College of Law has recognized this; and, in 2003, adopted a strategic direction to produce graduates who will be ready to thrive in the "new legal world" of specialization, globalization and diversity in accordance with its mission to deliver public legal education in the state of Idaho. Additionally, the College is now weighing its options on how to best fulfill its mission to deliver public legal education in the 21st Century. This will require a rich curriculum, which includes legal-practice-oriented learning opportunities as well as hands-on training. In order to assist this process, the College and the Bar held a "Conclave On Idaho Legal Education in the 21st Century," July 16-18 in Boise. This Bench/Bar-academic conclave (108 participants) engaged in an in-depth discussion concerning the statewide needs in Idaho legal education and also examined long-range planning at the College of Law. I encourage you to read the materials for the conclave, which are posted on their website www.law.uidaho.edu. You should also read Dean Burnett's article on page 44. As outlined in his article and the conclave materials, currently there are three potential options under consideration by the law school to enhance the state's legal education opportunities at the University of Idaho College of Law: 1) Moscow Plus, 2) the Treasure Valley Approach and 3) a Phased, Dual Location Approach. All of these options are ambitions and seek an expansion and comprehensive changes to

the delivery of legal education. Also, in this mix is the Idaho Supreme Court's proposal to build an Idaho Law Learning Center. The Center would house the state law library, and could serve as a work area for the Idaho Judiciary, an expanded University of Idaho College of Law program and the Idaho State Bar and Idaho Law Foundation education space.

The College and the Idaho State Judiciary deserve our support in their efforts to advance legal education in the State of Idaho for the following reasons:

ANY OPTION WILL PROMOTE THE MISSION AND GOALS OF THE IDAHO STATE BAR

All three have their advantages and disadvantages. However, any option pursued would promote mission and goals of the Idaho State Bar. The Idaho State Bar and the University of Idaho College of law have similar missions and share many common goals. For example, both the University of Idaho and the Idaho State Bar have in common the following goals:

1. Promote high standards of professional conduct by members of the Bar.
2. Furnish programs and services which improve opportunities for professional growth and enhance the competency of members of the Bar.
3. Promote the public's access to legal services.
4. Enhance public understanding of and respect for the law and the legal system.
5. Aid in the advancement of the administration of justice.

By supporting the College's mission and goals to provide quality public legal education, we are not only supporting a good cause, but also promoting the goals of the Idaho State Bar. In other words, by promoting the College's efforts we are in reality promoting our own mission. Also, increasing the legal educational and lead-

ership opportunities at the College will result in a new generation of lawyers who will be ready to take on the demands of the practice of law in the 21st century, which in effect, enhance the quality of the Bar.

We would also be supporting our mission and goals by promoting the Idaho Supreme Court's plan to establish an Idaho Law Learning Center as the existence of this center would increase the public's access to legal services, aid in the administration of justice, and enhance the public understanding of and respect for the law and the legal system.

TIME IS NOW TO ACT ON THIS GREAT OPPORTUNITY

The timing of the Conclave and also the Idaho Supreme Court's proposal for an Idaho Law Learning Center presents one of those once-in-a-lifetime opportunities that would enable the College, the Bar and the Idaho Judiciary to maximize efforts and leverage resources in order to achieve common goals. In addition the Bar has an opportunity to forge new relationships and strengthen existing ones with the College and the Bench by working together to pursue fulfillment of shared objectives. Our success depends on collaboration. We cannot be effective if we pursue our goals independently.

A CALL TO LEADERSHIP

As lawyers, we have a duty to provide leadership when it is needed. This is particularly true when leadership will serve the best interests of the state of Idaho. The College and the Judiciary's plans, in whichever form taken, will have a positive impact on the state of Idaho for genera-

tions to come. High quality, accessible public legal education is a necessary ingredient to Idaho's formula of success. As noted by Dean Burnett, legal education is responsible for producing the leaders of the legal profession, the judiciary and the business community. Public legal education also lends support to sound public policy and economic development.

The Idaho Rules of Professional Conduct calls for members to provide leadership to the College and the Judiciary in support of their plans to improve public legal education. This mandate is outlined in paragraph 6 of the Idaho Rules of Professional Conduct:

As a public citizen, a lawyer should seek improvement of the law, access to the legal system, the administration of justice and the quality of service rendered by the legal profession. As a member of a learned profession, a lawyer should cultivate knowledge of the law beyond its use for clients, employ that knowledge in reform of the law and work to strengthen legal education. *

This leadership will also call for sacrifice. You may disagree with the path ultimately chosen by the College. In my opinion, any route taken will improve the legal education system. Therefore, leadership will require us to set aside such disagreement and to work together toward the ultimate goal: to create a better Bar by improving the public legal education in the state of Idaho.

Concluding, inevitable changes in the practice of law require necessary (and

desirable) changes in the delivery of public legal education in this state. Therefore, we must support the efforts of the College and the Judiciary to improve public legal education in a growing Idaho and to address the legal trends of the practice of law in the 21st Century. In doing so, we are furthering the Idaho State Bar's Mission and Goals. Further, we cannot afford to miss this once-in-a-lifetime opportunity to work collaboratively with the College and the Idaho Judiciary to leverage shared resources in order to achieve common goals. Finally, it is our duty as lawyers to provide leadership to the College and the Judiciary in supporting their efforts to serve the best interest of the state of Idaho.

*The remainder of Paragraph 6 of the Idaho Rules of Professional Conduct states: in addition, a lawyer should further the public's understanding of and confidence in the rule of law and the justice system because legal institutions in a constitutional democracy depend on popular participation and support to maintain their authority. A lawyer should be mindful of deficiencies in the administration of justice and of the fact that the poor, and sometimes persons who are not poor, cannot afford adequate legal assistance. Therefore, all lawyers should devote professional time and resources and use civic influence to ensure equal access to our system of justice for all those who because of economic or social barriers cannot afford or secure adequate legal counsel. A lawyer should aid the legal profession in pursuing these objectives and should help the bar regulate itself in the public interest.

Andrew E. Hawes, is an in-house attorney for *Western Pacific Timber, LLC* and *Yellowstone Club World, LLC*. He is serving a six-month term as President of the *Idaho State Bar Board of Commissioners**. He was elected as Commissioner to represent the *Fourth Judicial District* in 2005. He grew up in Boise. He is a graduate of *Boise High School* and the *University of Denver*. He obtained his law degree from the *University of Idaho College of Law*. He and his wife *Gretchen* live in Boise and have two daughters, *Audrey* and *Greta*.



*2007 Idaho State Bar Board of Commissioners - left to right, Newal Squyres, Boise; Dwight Baker, Blackfoot; Andy Hawes, President, Boise; Terry White, Nampa; and Doug Mushlitz, Lewiston.

NEWS BRIEFS

Board of Commissioners—**Newal Squyres**, Boise; and **Doug Mushlitz**, Lewiston were recently elected as commissioners to the Idaho State Bar's Board of Commissioners. Newal will replace outgoing President Tom Banducci, and Doug will replace Immediate Past President Jay Sturgell. Both Newal and Doug will serve three-year terms. Newal, a partner with Holland and Hart, Boise; will represent the Fourth Judicial District and Doug, a partner in Clark & Feeny, Lewiston; will represent the First and Second Judicial Districts. They assumed office at the 2007 Annual Meeting.

Idaho U.S. Attorney Thomas Moss has been appointed to the position of Associate Deputy Attorney General for Violent Crime with the Justice Department in Washington, D.C. The job reports directly to the deputy attorney general, who is second-in-command at the Justice Department. He will work closely with the directors of the FBI and the U.S. Bureau of Alcohol, Tobacco, Firearms and

Explosives, and will oversee anti-violence initiatives around the nation. Before his 2001 appointment as U.S. Attorney, he had a private practice in Blackfoot, serving for much of that time as prosecuting attorney for Bingham County. He was also a member of the Idaho House of Representatives.

I.C.R. Amendment—As of July 1, 2007, I.C.R. 11 references an optional guilty plea advisory form that can be found in Appendix A of the Idaho Criminal Rules and on the Idaho Supreme Court website. A Spanish version of this form is now available and can also be found on the court's website at <http://www.isc.idaho.gov/rulesfrm.htm>.

I.R.C.P. 45 Amendment—Effective July 23, 2007, I.R.C.P. 45(b) was amended as follows: Rule 45(b). Subpoena for production or inspection of documents, electronically stored information or tangible things, or inspection of premises. If the subpoena is for a party to attend a deposition, the scope and procedure shall comply with Rule 34, except that and the

person party must be allowed at least 30 days to comply. The order amending the rule can be found on the Supreme Court's website: [http://www.isc.idaho.gov/ircp45\(b\).htm](http://www.isc.idaho.gov/ircp45(b).htm).

2008 Idaho Law Foundation IOLTA Grant Application Available—The applications can be accessed on our website: www.idaho.gov/isb. Completed applications must be received by 5:00 p.m. MDT on Friday, September 14, 2007 to be eligible for consideration in this year's funding cycle. For questions about the IOLTA grant application process, contact Carey Shoufler at (208) 334-4500.

Judge Trott keynote speaker—The Idaho Chapter of the Federal Bar Association is hosting a luncheon honoring Idaho's Federal Judges, September 6, 2007. The luncheon is from Noon – 1:30 p.m. at the Idaho Historical Museum. Idaho State Bar members and members of the public are invited to attend. The cost is \$20.00 for lunch. Please RSVP to Teresa McRoberts (208) 334-2120, ex 18.

LEGAL NOTICES

NOTICE TO J. JOHN ALEGRIA OF CLIENT ASSISTANCE FUND CLAIM

Pursuant to *Idaho Bar Commission Rule* 614(a), the Idaho State Bar hereby gives notice to J. John Alegria that a Client Assistance Fund claim has been filed against him by former client Sally Doyle in the amount of \$1,580.00. Please be advised that service of this claim is deemed complete fourteen (14) days after the publication of this issue of *The Advocate*.

NOTICE TO DWIGHT R. BOWEN OF CLIENT ASSISTANCE FUND CLAIM

Pursuant to *Idaho Bar Commission Rule* 614(a), the Idaho State Bar hereby gives notice to Dwight R. Bowen that a Client Assistance Fund

claim has been filed against him by former client Brett Hamilton in the amount of \$11,200.00. Please be advised that service of this claim is deemed complete fourteen (14) days after the publication of this issue of *The Advocate*.

SPECIALTY CERTIFICATION NOTICE

The Estate Law Specialist Board has applied for accreditation as a specialty certification agency pursuant to Section X of the Idaho Bar Commission Rules. The Idaho State Bar Board of Commissioners invites comments concerning the Estate Law Specialist Board. Please send any comments to Diane Minnich, Executive Director, Idaho State Bar, PO Box 895, Boise, Idaho 83701.



2007-2008

District Bar Association Officers

The Idaho State Bar would like to congratulate the following members who were elected as the 2007-2008 officers of their District Bar Associations. For further information about the districts please visit our website (www.idaho.gov/isb) and click on Membership and Admissions.

FIRST DISTRICT

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EXECUTIVE DIRECTOR'S REPORT

DIANE K. MINNICH

RESOLUTION PROCESS

2007 IDAHO STATE BAR MEMBERSHIP SURVEY RESULTS



REMINDER: PROPOSED RESOLUTIONS DUE SEPTEMBER 25

Do you, your section, committee or district bar association have an issue, proposed rule revisions or legislative matter you think should be discussed and voted upon by the Bar membership? If so, the fall resolution process, or "RoadShow" is the opportunity to propose issues for consideration by members of the Bar.

Idaho Bar Commission Rule 906 (pages 285-86 of the 2007 DeskBook Directory) governs the resolution process. Resolutions for the 2007 resolution process must be submitted by September 25, 2007. If you have questions about the process or how to submit a resolution, please contact me at dminnich@isb.idaho.gov or 208-334-4500.

DISTRICT BAR ASSOCIATION RESOLUTION MEETING CALENDAR

- 1st District, Coeur d'Alene
Noon, Wednesday, November 7
- 2nd District, Lewiston
Evening, Tuesday, November 6
- 3rd District, Nampa
Evening, Thursday, November 1
- 4th District, Boise
Noon, Thursday, November 1
- 5th District, Twin Falls
Noon, Friday, November 2
- 6th District, Pocatello
Noon, Thursday, November 15
- 7th District, Idaho Falls
Noon, Friday, November 16

2007 ISB MEMBERSHIP SURVEY

In 1994, 1999, and in 2007, the Idaho State Bar conducted a survey of its membership. The purpose of the survey was to establish a demographic profile of the membership, their attitudes and actions towards public service, lawyer office practices and use of technology. In May of this year, all active members and judges received a membership survey. Most of the members received the survey by email, and those without email addresses were mailed a

copy. The response rate was 38%, although a good response rate, considerably lower than the last two surveys, which was 58%.

Below are the highlights of the survey results. Where applicable, I have included the 1994 and 1999 results for comparison.

GENERAL DEMOGRAPHICS

SEX: The Idaho Bar is still primarily male, 74% of the respondents were male, 26% female (actual figures of total membership are 77% male and 23% female). This is a 1% decrease for women since 1999; while between 1994 and 1999 there was a 9% increase.

GENDER			
	1994	1999	2007
MALE	85%	76%	77%
FEMALE	15%	24%	23%

AGE: The Bar is getting older. In 1999, 54% of the membership was between 37 and 49 years old, with another 19% over 50. In 2007, 30.5% of the members are between 37 and 49, down from 42.5% in 1999. 47% of the Bar is over now 49, an increase of 17% over 1999.

AGE			
	1994	1999	2007
Under 37	25.3%	25.7%	22.3%
37-49	53.9%	42.5%	30.5%
50-59	23.3%	12.1%	30.7%
Over 59	7.1%	7.3%	16.6%

DIVERSITY: Among the respondents, the percentage of minority lawyers has not changed with both 1999 and 2007 showing 5%.

YEARS IN THE BAR: Another indicator the Bar is getting older—both in age and years of practice is that nearly 45% of the Bar has been admitted more than 20 years, an increase of 15% over 1999. Those admitted 5 years or less has decreased from 19% to 17%.

FIRM SIZE: As indicated in the past two surveys, nearly half of Idaho lawyers practice in firms of 1-3 lawyers. Another 23% practice in firms with 4-10 lawyers.

TYPE OF PRACTICE: We added a new question in 2007 related to regional and national practice, 25% of the respondents specified that

their practice (firm, corporation, agency) is regional or national. In addition, almost 30% of respondents are licensed in more than just Idaho.

Nearly half of the Bar identifies themselves as solo practitioners, (22%); or, a partner or shareholder in a firm, (25%). This is a decrease of about 6% from 1999.

EMPLOYMENT POSITION			
	1994	1999	2007
Solo	23%	23%	22%
Partner	35.5%	29.5%	25%
Salaried Associate	11%	14%	12%
Government	14%	18%	18%
Staff Attny	2.5%	2%	5.5%
Corporate Counsel	4.5%	6.3%	4.3%
Judge	4%	4%	4%
Law Clerk	0%	1.7%	2%

INCOME: The largest number of respondents indicated their income was between \$50,000 and \$75,000; (26%), an increase of 6% over 1999. Only 22% indicate their income is less than \$50,000, down from 40% in 1999. The largest percentage gains were among those whose income is over \$100,000.

INCOME			
	1994	1999	2007
Under \$50,000	49%	40%	22%
\$50-75,000	21%	20%	26%
\$75-100,000	13%	16%	17%
\$100-150,000	10%	12%	16%
\$150-200,000	3.5%	5.5%	8%
Over \$200,000	4%	4%	9%

PRO BONO/PUBLIC SERVICE

PRO BONO HOURS: The survey indicates that the number of Idaho attorneys devoting five hours per month or less remains the same. In the other categories the percentages have dropped since 1994.

PRO BONO HOURS			
	1994	1999	2007
Less than 5 hrs/month	31%	43%	43%
6-10 hrs	32%	NA	23%
11-20 hrs	42%	28%	6%
20 or more hrs	5%	6%	3%

Free Legal Advice: Of the respondents, those that provide free legal advice to non-clients have also declined in most categories.

FREE LEGAL ADVICE			
	1994	1999	2007
1-2 times a week	36%	38%	37%
3-5 times	27%	23%	19%
6-10 times	13%	8%	6%
More than 10	5%	4%	4%

Free Initial Consultation: Again, the responses indicate that lawyers are offering fewer free initial consultations to prospective clients.

FREE INITIAL CONSULTATION			
	1994	1999	2007
Always offer	26%	22%	20%
Often	23%	19%	15%
Sometimes	25%	21%	21%

Community Service: The respondent lawyers are providing more public service hours to non-law related groups although the percentage that have held leadership positions decreased considerably. In 2007 only 9% indicate that they have held a leadership position compared to 34% in 1999 and 39% in 1994.

NON LAW-RELATED COMMUNITY SERVICE			
	1994	1999	2007
1-5 hours	39%	42%	37%
6-10 hours	27%	23%	26%
11-30 hours	17%	17%	20%
Over 30 hours	4%	3.5%	5%

Service to the Legal Profession: Nearly 45% of the respondents have been involved in section activities, another 23% have participated in Inns of Court, many are involved in Idaho Trial Lawyers Association, Idaho Law Foundation CLE programs, Idaho Prosecuting Attorneys Association or an ISB Committee.

**LAWYER PROFESSIONALISM
JOB SATISFACTION**

Job Satisfaction: For the most part, lawyers that responded to the survey are fairly satisfied with their income, job and career opportunities. Over 70% indicated that their expected income was good, very good or excellent; over 80% noted that their job satisfaction, and career opportunities were good, very good or excellent. These percentages are comparable to both the 1994 and 1999 results.

Ninety percent of lawyers still say they plan to continue to work in the legal profession until retirement. An interesting note, 23% indicate he or she never plans to retire and another 21% plan to continue some form of pro bono work in retirement.

Public Image: Fifty-one percent of the respondents feel that Idaho attorneys have an image problem; this is a considerable decrease from the previous survey results of 82% in 1994 and 70% in 1999.

When questioned about what elements contribute to the public perception problem, almost 90% of the respondents indicated that the public's misunderstanding of the legal system contributes, followed by the public's perception that attorneys charge too much for services (79%) and the public's perception that attorneys don't solve client problems quickly enough. These percentages are considerably higher than in previous surveys.

Again, the results of the survey show that most Idaho attorneys think other Idaho attorneys are honest, ethical and courteous; about

90% in each category. New to this survey was a question on whether Idaho attorneys are empathetic. Sixty-six percent of respondents think Idaho attorneys are empathetic.

Advertising: One half of the respondents stated that they do not advertise, this is an increase of about 10% over 1999. Those that indicate they do advertise still use the traditional sources, yellow pages and legal directories such as Martindale-Hubbell®.

Almost the same percentage as above does not feel that advertising positively affects the public perception of lawyers.

ECONOMICS AND OFFICE PRACTICE

Workload: Most of the respondent lawyers indicate that 2006 was more profitable than 2005 (64%). Almost 80% state that they have as much or more work than they can handle. These percentages have not changed significantly since 1999.

Billable Hours: Thirty-nine percent of the respondents indicate that billable hours is not applicable to them. This is a 10% increase from 1999 and almost a 50% increase since 1994 when only 21% indicated that billable hours were not applicable. From the results, it appears lawyers are working about the same number of hours but either billing less hours or not subject to hourly billing requirements.

BILLABLE HOURS PER WEEK			
	1994	1999	2007
Less than 10	4.5%	3.0%	3.0%
10-24	11%	11%	12%
25-39	38%	33%	31%
40-50	17%	16%	13%
51 over	2.5%	3.5%	2.5%

TOTAL HOURS WORKED			
	1994	1999	2007
Less than 25 hrs	6%	6%	10%
25-39 hours	11%	14%	12%
40-49 hours	40%	42%	42%
50-60 hours	32%	29%	28%
Over 60 hours	7%	7%	9%

Hourly Rates: Almost half the respondents bill between \$100 and \$200 per hour; split fairly evenly between \$101-150 and \$151-200. In 1999 only 1% of the respondents billed over \$200 per hour, that has increased to 12%.

HOURLY RATES			
	1994	1999	2007
Less than \$75	5%	1%	1%
\$76-100	68%	19%	3%
\$101-150		39%	24%
\$151-200		9%	25%
Over \$200		1%	12%

TECHNOLOGY

Many of the technology questions asked on the 2007 survey are either expanded or new. In 1994, there were no technology questions on the survey.

The use of computers and fax remains about the same, with nearly 100% indicating they used both in 1999 and 2007. Voice mail use has increased from 69% to 88% since

1999. Email use has increased from 85% to 98%. Law offices with websites have increased from 42% in 1999 to 59% in 2007. More than half of the respondents indicate that they do not use practice management software, legal accounting software or time billing software. Only 42% of the respondents have an IT specialist on staff.

The two main legal research providers for the respondents are Westlaw, 59%, and Casemaker, 49%. LexisNexis is used by 24% of respondents.

And finally, *The Advocate* is still the most used Bar communications tool to keep current on Bar activities, (93%), followed by ISB emails, (72%), ISB website, (47%), and the ISB Ebulletin (38%).

As I was writing this column, I was struck by the changes in the Bar that have occurred during the last 14 years:

- The Bar is aging; new lawyers are not increasing at a rate that balances the age categories.
- The Idaho Bar is not becoming more diverse very quickly.
- Fewer lawyers are partners, shareholders and salaried associates which coincides with the statistics that less lawyers are billing hours.

- Income and hourly rates are increasing.
- Lawyers are providing less pro bono service, less free legal advice but have increased their community service commitments.
- Fewer lawyers think that Idaho attorneys have an image problem
- Fewer lawyers are advertising.
- Certain uses of technology are common, voice mail, email and fax, but Idaho lawyers have not yet embraced legal software.

Thank you to those lawyers that took the time to complete the survey. We appreciate your participation. The information gathered is valuable as we chart the future course of the Idaho State Bar.

For the complete survey results go to the Idaho State Bar website: www.idaho.gov/isb.

**Veterans Stand Down
Volunteer Attorneys Needed**

Idaho Legal Aid Services (ILAS) received a grant to recruit and provide training for volunteer attorneys to provide legal services to veterans and persons who are homeless or very low-income. These attorneys will help veterans who have legal issues at the Veterans Stand Down on Saturday, September 29, 2007, from 8:00 a.m. to 2:00 p.m. They will need the assistance of 15 attorneys who can provide two-hour blocks of time.

Volunteer attorneys who can provide legal advice/services in the following areas are needed:

- | | | |
|------------------------|-----------------------|--------------------|
| Housing Law | Senior Law | Immigration |
| Public Benefits | Civil Rights | Health Law |
| Family Law | Identification | Other areas |
| Criminal Law | Issues | |

Please, contact Mary Hobson, Idaho Volunteer Lawyers Program, (208) 334-4510, mhobson@isb.idaho.gov or Zoe Ann Olson, Attorney, Idaho Legal Aid Services, (208) 345-0106, ex, 108, zoannolson@idaholegalaid.org.



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WELCOME FROM THE INTELLECTUAL PROPERTY LAW SECTION

Emile Loza
Technology Law Group, LLC

Dear Colleagues:

The Intellectual Property Law Section of the Idaho State Bar and I welcome you to this issue of *The Advocate*. Our field of practice, intellectual property law, continues to increase in scope, intricacy, and fascination.

The subject of our practice is intellectual property in the form of patents, trademarks, copyrights, trade secrets, contractually-created intellectual property, and, increasingly, Internet domain names. These intellectual property rights are of fundamental importance to businesses, individuals, and their respective prosperity. Intellectual property, the currency of the knowledge economy, is at the core of economic development in Idaho and our nation. It is absolutely critical that every practitioner be aware of intellectual property issues.

Given the essential importance of intellectual property, I am pleased that our Section has again this year exceeded expectations in the articles presented in four key areas of development in this issue.

First, intellectual property law continues to intersect with other bodies of law and to impact almost every type of legal practice. John Knapp's article on intellectual property rights in bankruptcy cases and Steve Nipper's article concerning consumer protection law and invention promotion companies exemplify the cross-disciplinary nature of intellectual property law. My article with Shasta Kilminster-Hadley discusses an important new international treaty governing electronic contracts, which form the basis for delivery of software, content, and other licensed intellectual property delivered online.

Please particularly note our invited article on intellectual property crimes from Tyler Newby of the United States Department of Justice's Computer Crime and Intellectual Property Section in Washington, D.C. Dominic Venturi, Special Agent for the Federal Bureau of Investigation in Boise, deserves our thanks for reaching out to the Idaho legal community, and I encourage you to read this important article and to refer cases of possible criminal conduct as noted.

Second, the Internet continues to reshape business practices and social dynamics and, thus, the application of intellectual property law. Brad Frazer summarizes recent major intellectual property developments in Internet law, including a new species of right, the "electronic registration mark," recently created by Utah state statute. Jon Steele reviews the intricacies of personal jurisdiction in the context of an Idaho online intellectual property case, addressing an increasingly prevalent and technical aspect of litigation practice. Robert Shaver briefs readers on trademark law, domain name registrations, and how domain names may give rise to trademark infringement claims.

Third, recent statutory and case law portend significant evolutions in intellectual property law. Brian Esler's article concerning the Trademark Dilution Act highlights new federal protection for famous marks. Ida Shum and Jason Stolworthy's article on the United States Supreme Court's opinion in *MedImmune, Inc. v. Genentech, Inc.* discusses new abilities of licensees to challenge the validity of licensed patents. Christopher Pooser's analysis of Circuit Court cases highlights the importance of statutory damages under the federal Copyright Act.

Fourth, technological advancement pushes the evolution of intellectual property practice, a fact central to Gary Carlson's article on the important role of patent agents. John Zarian's article contrasts Idaho's leadership position in technology with the decreasing number of patent infringement cases litigated in Idaho, offering procedural and other suggestions to position Idaho as a new forum of choice. The recently amended FEDERAL RULES OF CIVIL PROCEDURE have major implications as to the duties to preserve and produce electronically-stored information. Readers will find useful Joshua Evett's review of those duties in the context of intellectual property cases.

We hope that you will benefit from this issue of *The Advocate* and that you will call upon members of the Intellectual Property Law Section for additional information and assistance. Please also join in our continuing legal education presentations and consider membership in our Section.

In closing, I express our appreciation to Terri Muse and her colleagues at the Idaho State Bar for their responsive support of the Section. In addition, I thank the members of the Intellectual Property Law Section for the opportunity to have served for four terms on its governing council, including, most recently, two terms as its chair. The Section is excellently positioned for continued growth and professional development.

ABOUT THE AUTHOR

Emile Loza is managing attorney and founder of *Technology Law Group, LLC*. The *Technology Law Group's* practice centers on international, intellectual property, and Internet law. Loza is two-term chair of the Intellectual Property Law Section of the Idaho State Bar and an active member of the American Bar Association's International and Intellectual Property Law Sections. Loza holds a law degree from The George Washington University Law School, a Master of Business Administration, and a bachelor's degree in science and technology.

IDAHO STATE BAR INTELLECTUAL PROPERTY LAW SECTION

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BACK TO SCHOOL—MCLE

If you didn't spend your summer vacation attending CLE courses, it's time to start thinking about your credits again. Visit our website at www.idaho.gov/isb for a calendar of upcoming courses, the catalog of tapes/CDs/DVDs available for rent, and the list of online courses. Contact the Membership Department at (208) 334-4500 or jhunt@isb.idaho.gov if you have any questions on MCLE compliance.

YOU CAN BET THE FARM

Patent Licensees Can Now Challenge Validity Without First Breaching Their Licenses

Jason Stolworthy and Ida Shum

In January 2007, the United States Supreme Court issued its decision in *MedImmune, Inc. v. Genentech, Inc.*,¹ holding that a patent licensee can sue to challenge the validity of a licensed patent while continuing to do business under the terms of the license. The decision overturned precedent from the Court of Appeals for the Federal Circuit, which held that a patent licensee needed to be in material breach of its license agreement and possess a reasonable apprehension of patent infringement litigation before it could challenge the patent's validity in district court.² The Supreme Court's decision has a significant impact on licensing negotiations and each party's bargaining leverage.

FACTS OF THE *MEDIMMUNE* CASE

MedImmune and Genentech entered into a license agreement in 1997 for a patent, known as "Cabilly II", involving the production of various antibody products. In 2001, Genentech notified MedImmune that Synagis®, a MedImmune product, was covered by the Cabilly II patent. Genentech requested that MedImmune pay royalties in accordance with the license agreement. MedImmune countered that the Cabilly II patent was invalid, unenforceable and, if valid, did not cover Synagis. MedImmune paid royalties under protest to avoid an infringement suit by breach of contract. In parallel, MedImmune filed suit against Genentech seeking a declaratory judgment to clarify its rights and obligations regarding the original license and to challenge the validity of the patent.

The district court dismissed the case, holding that no actual "case or controversy" existed under Article III of the U.S. Constitution. The court reasoned that MedImmune had continued to pay royalties and was therefore not in breach of the license agreement, following precedent set in *Gen-Probe Inc. v. Vysis, Inc.*³ The Federal Circuit affirmed the decision and declared that MedImmune was required to breach its license agreement or stop paying royalties in order to create an "actual controversy."

The issue presented to the Supreme Court was whether a licensee in good standing could file a declaratory judgment action against its licensor claiming patent invalidity. Overruling *Gen-Probe*, the Supreme Court held that MedImmune did not have to breach its license, and risk potential treble damages, before challenging a patent it regarded as invalid.⁴ In an opinion joined by eight justices, and with only one dissent, the Supreme Court reversed the Federal Circuit's decision.

In *MedImmune*, by allowing a licensee to file a declaratory judgment against its licensor, the Supreme Court made a substantial departure from prior precedent. This article examines the application of *MedImmune* to licensing practices, evaluates current licensing relationships in the context of *MedImmune*, and discusses the negotiation and drafting of licenses post-*MedImmune*.

APPLICATION OF *MEDIMMUNE* TO LICENSING PRACTICES

Prior to the *MedImmune* decision, if a licensee wanted to challenge the validity of a licensed patent, the licensee was required to treat the licensed patent as invalid and stop payment of royalties in order to meet the Article III "case and controversy" requirements. In turn, the licensor had to give notice of intent to enforce the patent if the licensee failed to comply with the terms of the license agreement and continued to practice the licensed invention. Even if the licensee was able to meet the "case and controversy" requirement, the licensee faced large penalties if the court determined the patent was, in fact, valid. In particular, if the licensee stopped payment on the license, challenged the patent, and the court determined that the patent was valid, then the licensee faced not

just damages for breaching the license agreement, but also treble damages for willful infringement of the patent. Prior to *MedImmune*, the possibility of having to pay treble damages was a significant deterrent to licensees challenging a licensed patent.

Although the full impact of *MedImmune* will not be understood until the courts have applied it, *MedImmune* significantly reduces the risk for a licensee seeking to challenge the validity of a licensed patent. Under *MedImmune*, a licensee can continue to pay royalties throughout litigation and continue to practice the invention without worrying about the penalty of treble damages for willful infringement. Current licensors must now worry about the increased likelihood of litigation. In addition, a licensor can no longer assume that as long the licensee pays royalties, the licensee cannot challenge the patent. The licensor may also be forced into a position of having to maintain a license agreement with a licensee that is in an adversarial position. *MedImmune* also affects licensing strategy, negotiations, and drafting, because licensors will want to adopt language in their agreements to avoid the adverse implications of *MedImmune*.

CURRENT LICENSING RELATIONSHIPS AFTER *MEDIMMUNE*

For the most part, *MedImmune* benefits current licensees and harms current licensors. Licensees can manage their licensing relations as usual, with the understanding that the risks involved in challenging their licensor's patent(s) have been lessened. Licensors of patents, however, may want to take actions to avoid or prepare for the implications of *MedImmune*.

Of course, it is unlikely that a licensor of patents can significantly modify the terms of an existing license agreement to mitigate the affects of *MedImmune*. Nevertheless, it may be important for current licensors to understand the two factors that influenced the Supreme Court's decision in *MedImmune*. First, the Supreme Court reasoned that the underlying dispute was a "contractual" dispute.⁵ Second, the Court emphasized the fact that MedImmune had made its payments "under protest."⁶ Thus, a licensor may wish to take precautions to avoid the creation of similar fact patterns in their licensing activities.

Licensors Should Take Measures to Avoid Disputes or Evidence of Disputes Over Licensed Intellectual Property: In *MedImmune*, the Court's reasoning that the dispute was contractual was influenced by the particular facts of the case. The *MedImmune/Genentech* license restricted the use of the patents to specific products. Correspondence between MedImmune and Genentech after the license agreement was executed raised questions as to whether or not certain additional products were restricted or governed by the terms of the license agreement. Hence, the Court identified the issue as whether or not the product in question had been licensed or not as a basis for finding an existing controversy.

To avoid the implications of *MedImmune*, a licensor should take measures to avoid a dispute or evidence of a dispute, over what was licensed. One possible way to avoid a "field of use" dispute is to exclude field of use restrictions in a license. This option often lessens the ability to extract the full value of the patent because patents "may cover multiple fields. Also, the licensee's business may only produce or market to a limited field. If a licensee desires to expand the field of use after a license has been executed, a licensor may want to consider *MedImmune* during negotiations and provide the licensee a reasonable opportunity to expand the field of use.

Licensors Should Structure Payment Methods to Avoid Receiving Payments "Under Protest": The Supreme Court also emphasized the

fact that MedImmune sent a letter to Genentech stating that payments were made under protest and reserving all rights. A licensor, therefore, should take measures to avoid receiving payments under protest. Of course, a licensor has limited control over the acts of its licensee. However, it is possible for the licensor to require that payments be made under a transmittal process that does not allow payments to be made under protest. In addition, the licensor may wish to consider other methods to compel the licensee to concede that payments are not being made under protest.

NEGOTIATING AND DRAFTING LICENSES AFTER *MEDIMMUNE*

Negotiators and drafters of license agreements should consider and incorporate the *MedImmune* decision into their licensing strategies. Licensors, in particular, may want to negotiate additional provisions into new licenses that attempt to avoid the impacts of *MedImmune*.

Optimally, a licensor might seek to include provisions in a license preventing the licensee from challenging the validity of the patent. However, clauses that expressly prevent the licensee from challenging a patent are generally unenforceable.⁷ Clauses stating that the licensee acknowledges the validity of the patent are generally unenforceable as well.⁸

While express provisions that acknowledge the validity of a patent are generally unenforceable, it may be possible to require a licensee either to stop making royalty payments or to make all royalty payments to a designated escrow as a condition precedent to filing for declaratory judgment. A licensor could also require provisions in the license that licensee provide notice to the licensor if there is a dispute regarding the validity of the patent. This way, a licensor could examine whether a licensee's activities are covered by the claims of the patent and require an agreed upon amount of time to elapse prior to filing suit. In addition, the license could require that the parties first work in good faith to resolve the dispute. The license agreement could also include a provision giving the licensor an option to first resolve any patent validity dispute by requesting a reexamination or reissue of the patent with the U.S. Patent and Trademark Office. Alternatively, a licensor could require arbitration or mediation prior to filing suit.

CONCLUSION

The Supreme Court's decision in *MedImmune* weakened the stability of existing licensing agreements. While *MedImmune* aims to protect the licensee who was previously required to "bet the farm" before challenging the validity of a licensed patent, the consequences of the ruling might make it more difficult for patent holders to enforce existing licenses. The decision substantially increases the risk that existing licensees will challenge their licensors on grounds of patent invalidity if there is any likelihood of success. This could ultimately lead to increased litigation, fewer licenses, and decreased incentives for individual inventors.

ABOUT THE AUTHORS

Jason Stolworthy works with Battelle Energy Alliance in Idaho Falls, Idaho. He is admitted to practice before the U.S. Patent and Trademark Office, the Idaho State Bar, and the Montana State Bar. Mr. Stolworthy graduated from Idaho State University with a B.A. in Chemistry and a B.S. in Biochemistry (1998), and from University of Idaho with an M.S. in Chemical Engineering and a J.D. in Law (2003). Mr. Stolworthy serves as vice chair of the Intellectual Property Law Section of the Idaho State Bar.

Ida Shum works with the Battelle Energy Alliance in the Technology Transfer & Commercialization department. She is admitted to practice before the U.S. Patent and Trademark Office and the California State Bar. Ms. Shum graduated from UCLA with a B.S. in Biochemistry (1999) and received a J.D. from the Notre Dame Law School (2003).

ENDNOTES

¹ 549 U.S. 1 (2007).

² *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1381 (2004); *Lear, Inc. v. Adkins*, 395 U.S. 653, 673 (1969). See also *Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co.*, 112 F.3d 1561, 1568 (1997) (reaffirming *Lear* by stating that a "licensee... cannot invoke the protection of the *Lear* doctrine until it (i) actually ceases payment of royalties, and (ii) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid.").

³ *Gen-Probe*, 359 F.3d 1376.

⁴ "The rule that a plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages and the loss of 80 percent of its business, before seeking a declaration of its actively contested legal rights finds no support in Article III." *MedImmune*, 549 U.S. at 15.

⁵ *Id.* at 5.

⁶ *Id.* at 9.

⁷ *Lear*, 395 U.S. at 673.

⁸ See *Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 468 F.2d 225 (7th Cir. 1972); *Bendix Corp. v. Balax, Inc.*, 421 F.2d 809 (7th Cir. 1970); *Robintech, Inc. v. Chemidus Wavin, Ltd.*, 450 F. Supp. 817 (D.D.C. 1978); *Congoleum Indus., Inc. v. Armstrong Cork Co.*, 366 F. Supp. 220 (E.D. Pa. 1973), aff'd, 510 F.2d 334 (3d Cir.); *Milton G. Waldbaum Co. v. Roberts Dairy Co.*, 325 F. Supp. 772 (D. Neb. 1971); *Plastic Contact Lens Co. v. W.R.S. Contact Lens Lab., Inc.*, 330 F. Supp. 441 (S.D.N.Y. 1970).

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COUNSELING CLIENTS ABOUT INVENTION PROMOTION COMPANIES

Stephen M. Nipper
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In the last few years, I have met quite a few Idaho inventors who have done business with what patent practitioners refer to as “invention promotion companies” or “invention promoters.” Personally, I have not seen any inventor come out of the relationship happy. Indeed, most of the inventors were highly upset, believing they had been scammed out of money (often to the tune of five to fifteen thousand dollars, or more).

Many of these inventors might have reconsidered entering into such a business relationship if they had only read the resources available on the Internet regarding invention promotion companies. The purpose of this article is to explain the issues present, to help you spot when one of your clients may need additional guidance, and to provide links to the relevant resources that you can share with your clients.

INVENTION PROMOTER DEFINED

What is an invention promoter? 35 U.S.C. § 297 defines an “invention promoter” as:

any person, firm, partnership, corporation, or other entity who offers to perform or performs invention promotion services [“the procurement or attempted procurement for a customer of a firm, corporation, or other entity to develop and market products or services that include the invention of the customer”] for, or on behalf of, a customer, and who holds itself out through advertising in any mass media as providing such services.

Once relegated to ads in the back of *Popular Science* and similar magazines, invention promotion companies have recently gone mainstream, acquiring clients through late night television ads and Internet key word advertising. Why the change? Money. Lots of money. Many invention promotion companies are reported to bring in tens of millions of dollars of revenue a year.

CONGRESS RESPONDS

Inventors being taken advantage of by improper and deceptive invention promotion became such a problem in the 1990s that Congress got involved. The American Inventors Protection Act of 1999¹ (AIPA) includes key provisions directed towards the issue. The provisions require invention promoters to disclose to customers, in writing:

1. the total number of inventions evaluated by the invention promoter for commercial potential in the past five years, as well as the number of those inventions that received positive evaluations, and the number of those inventions that received negative evaluations;
2. the total number of customers who have contracted with the invention promoter in the past five years, not including customers who have purchased trade show services, research, advertising, or other nonmarketing services from the invention promoter, or who have defaulted in their payment to the invention promoter;
3. the total number of customers known by the invention promoter to have received a net financial profit as a direct result of the invention promotion services provided by such invention promoter;
4. the total number of customers known by the invention promoter to have received license agreements for their inventions as a direct result of the invention promotion services provided by such invention promoter; and,
5. the names and addresses of all previous invention pro-

motion companies with which the invention promoter or its officers have collectively or individually been affiliated in the previous ten years.

The results of these disclosure requirements were stunning. For instance, invention promoter Advent Product Development had, over one five year period, a zero percent (0%) success rate,² and it has been reported that two other invention promoters indicated success rates of 0.23% and 0.03%.³ (Imagine *your* client’s reaction if your success rate was that low.) What is amazing is that customers still utilize invention promotion company services after being provided with documentation showing such unbelievably low success rates.

The AIPA also provides civil remedies to inventors “found by a court to have been injured by any material false or fraudulent statement or representation, or any omission of material fact, by that invention promoter” or “by the failure of that invention promoter to disclose” the success rate information mentioned above. These remedies include actual damages or statutory damages (of not more than \$5,000), as well as the potential recovery of attorneys’ fees and costs.

While the civil remedy provisions of the AIPA would seem to provide an effective remedy for inventors, they appear to have been seriously undermined by a recent case in New Jersey.⁴ In that case, the District Court upheld a forum selection clause in the promoter’s contract with the inventor and transferred the case to the district court in the promoter’s home state, effectively ending the plaintiff’s ability to sue the promoter on a cost effective basis. Whether other courts will follow the New Jersey court’s lead or whether Congress will amend the Act to state that the “proper venue is the inventor’s home forum” is yet to be seen.

The AIPA also includes a requirement that the Commissioner of Patents keep a public record of any complaints filed by inventors who feel that an invention promoter has taken advantage of them. The requirement also allows for any response by the invention promoter to be published as well. The complaints (and responses) can be found on the website of the U.S. Patent and Trademark Office (USPTO).⁵

THE PATENT OFFICE TAKES AIM

The USPTO has further addressed the “invention promotion” issue by producing and distributing a brochure entitled “Contact the USPTO Before You Get Burned.”⁶ That brochure provides a number of “warning signs” for suspect invention services, including: slick ads on radio, TV and magazines; high pressure sales tactics; being guaranteed to get a patent or your money back; and being told that the invention is “a sure fire hit.”

THE FTC BUILDS A BETTER MOUSETRAP

The USPTO is not the only government agency with a role in monitoring invention promoters. The Federal Trade Commission (FTC) has filed a number of cases against invention promoters, including complaints against Davison & Associates in 1997 (arguing “Defendants’ invention marketing services are worthless and almost certain to result in a total loss of the consumer’s investment”),⁷ National Invention Services, Inc. (NISI) in 1998 (NISI was ordered to pay \$745,000 in damages),⁸ and Global Patent Research Services in 1996.⁹ More recently, Davison & Associates was sued and \$26,000,000 in damages was awarded based upon the failure of Davison to comply with its obligations under the AIPA.¹⁰

The FTC also publishes a couple of excellent publications for inventors:

- a. Consumer Alert: Spotting Sweet-Sounding Promises of Fraudulent Invention Promotion Firms;¹¹ and,
- b. FTC Facts for Consumers: Invention Promotion Firms.¹²

CONCLUSION

The problem of improper and deceptive invention promotion services has been the subject of increased government regulation and enforcement. Through use of the resources discussed in this article, inventors and their attorneys have access to information that will help them make an educated decision before utilizing invention promotion and development services. *Caveat emptor* indeed.

ABOUT THE AUTHOR

Stephen M. Nipper is a registered patent attorney and partner with the Boise patent law firm of Dykas, Shaver & Nipper (www.dykaslaw.com). An Idaho native, Mr. Nipper received his Bachelor of Science Degree from Truman State University in Kirksville, Missouri, and his Juris Doctor from Southern Illinois University School of Law. His practice covers a broad spectrum of intellectual property work (patents and trademarks), from prosecution to litigation. He is the author of *The Invent Blog* (www.inventblog.com), the oldest "patent" law blog in the U.S., now in its fourth year.

ENDNOTES

- ¹ <http://www.uspto.gov/web/offices/com/speeches/s1948gb1.pdf>
- ² <http://inventblog.com/2007/05/advent-product-developments-success-rate-0.html>
- ³ <http://www.ild-law.com/2006/12/inventhelp-and-davison-truth-behind.html>
- ⁴ *Pappalardo v. Advent Prod. Dev., Inc.*, No. CV 06-04697 (D. N.J. April 30, 2007).

- ⁵ <http://www.uspto.gov/web/offices/com/iip/complaints.htm>
- ⁶ <http://www.uspto.gov/web/offices/com/iip/documents/scamprevent.pdf>
- ⁷ <http://www.ftc.gov/os/1997/07/davisb~1.htm>
- ⁸ <http://www.ftc.gov/os/1998/07/perminis.htm>;
<http://www.ftc.gov/opa/1998/07/nisi.shtm>.
- ⁹ <http://www.ftc.gov/opa/1996/05/global.shtm>.
- ¹⁰ *Fed. Trade Comm'n v. Davison & Assocs. Inc.*, No. CV 97-1278 (W.D. Pa. March 20, 2006), available at <http://www.ftc.gov/os/caselist/9623310/9623310.shtm>.
- ¹¹ Available at <http://www.ftc.gov/bcp/conline/pubs/alerts/invnvalrt.htm>.
- ¹² Available at <http://www.ftc.gov/bcp/conline/pubs/services/invent.pdf>

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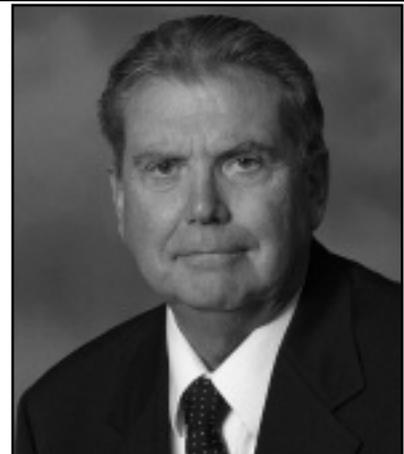
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THE MANY ROLES OF A PATENT AGENT

Gerard Carlson

WHAT IS A PATENT AGENT—A Patent Agent is a person who, like a Patent Attorney, has a four year technical degree or equivalent and has passed the patent bar exam. A Patent Agent is authorized to practice before the United States Patent and Trademark Office (USPTO) in the preparation and prosecution of patent cases. Unlike the Patent Attorney, the Patent Agent does not have a law degree and is not authorized to practice outside of the USPTO or in the courts.

An analogy may be helpful here. A Patent Agent is like a Certified Public Accountant. A licensed CPA can represent clients by completing and filing federal income tax returns. The CPA however, is not authorized to represent clients in civil or criminal court matters with the IRS. That is the domain of a tax attorney.

WHAT CAN A PATENT AGENT DO—How does the Patent Agent fit into a broad intellectual property (IP) practice? Think of the Agent as part of a larger team. Suppose two entrepreneurs, named Dick and Jane (the clients), invent a new widget, and want to manufacture and sell it. To get this venture off of the ground, Dick and Jane will need a host of professional services. These services may involve contracts, leases, incorporation, liability issues, labor laws, patents, real estate, copyrights, trademarks, tax issues, and even wills and estate planning. Few legal professionals can cover all of these areas. Rather, a team of skilled practitioners may be called upon to work in their respective areas of expertise to help Dick and Jane. Indeed, even patents can cover a broad range of technical material. For example, a Patent Attorney may have expertise in software patents, but lack sufficient depth in electronics, semiconductors or materials. Patent Agents with experience in a particular technical area can thus complement the skills of the attorneys, allowing a firm to offer clients more expertise. In addition, Patent Agents generally have lower billing rates than attorneys.

There are several areas where a Patent Agent can aid clients, such as Dick and Jane, either independently or as part of the team, working under the supervision of an attorney. For example:

FACT FINDING—Working with Dick and Jane, a Patent Agent can ferret out the answers to some vital patent questions. Do Dick or Jane have a duty to assign their invention to an employer? What documentation currently exists? Are there any inventor's notebooks? Has there been public disclosure? Has the invention been offered for sale? What is the prior art? Does this invention fall within a patentable category? Is the invention "obvious" (always a loaded question)? The list goes on. In the course of obtaining answers to these questions, a Patent Agent can identify issues that need to be addressed by the larger team.

TEACHING—If Dick and Jane are new inventors, the Patent Agent can also explain the patent process to them, including the pros and cons and any pitfalls. A patent should be one piece of the larger interdisciplinary puzzle called a business plan. By addressing many of the patent-related issues, the Patent Agent can free up other members of the team to give the clients personalized service in other areas.

GATEKEEPER—Often, independent inventors are not ready to apply for a patent, due to limited finances, non-patentable subject matter, or general naïveté regarding patents in general. A Patent Agent can work with prospective clients and help them get up to speed before the attorneys in a firm get involved, improving the team's overall efficiency.

SEARCHES—If it looks like a patent is warranted, the Patent Agent can conduct a novelty search to scope out the prior art. If relevant art is found, the Patent Agent can work with the clients to determine just what is protectable by a patent.

PREPARATION AND PROSECUTION—If desired, the Patent Agent can draft some or all of the patent application, and can coordinate with the

illustrator to produce drawings. When working together, a Patent Agent and Patent Attorney provide two pairs of eyes to review the individual patent applications, as well as the overall patent strategy.

REFERRALS—Many Patent Agents are in solo practice. They can be a good source of referrals to attorneys and law firms. For example, suppose Dick and Jane already hold a patent and there is a suspected infringer. A knowledgeable Patent Agent will immediately recognize the potential legal issues and recommend that Dick and Jane engage an attorney before any further action is taken. Similarly, a Patent Agent may spot complex issues of licensing and joint ownership. In such cases, the Patent Agent will be in a position to recommend a firm to help the inventors develop a strategy.

SPECIALIZED KNOWLEDGE—The patent art ranges from bacteria to supercomputers and everything in between. No one person, however intelligent, can have a deep knowledge of everything. A Patent Agent with specialized knowledge in an area can broaden the services offered by an attorney or firm. Working with a law firm, often on an as needed basis, a Patent Agent can allow the firm to offer a broader range of technical specialties while maintaining reasonable staffing levels.

In summary, a Patent Agent can be of value to an attorney or law firm by working with clients, performing technical research, offering specialized knowledge, handling patent cases and referring clients. Firms can expand their range of expertise while keeping their fixed costs lower.

ABOUT THE AUTHOR

Gerard (Gary) Carlson is a solo patent agent in Boise and an electrical engineer with over 30 years experience in electronics and product design. He was previously a patent strategist at Hewlett Packard assisting with invention disclosures, inventor education, technical issues and invention reviews. He holds a BSEE from the University of Washington and an MSEE from Stanford University. Gary is a Professional Engineer in the State of Idaho and is authorized to practice before the United States Patent and Trademark Office as a Patent Agent.

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THE DILUTION DEBATE: A New Federal Law Gives Extra Protection to Famous Trademarks

Brian W. Esler
Miller Nash LLP

In October of 2006, Congress passed the Trademark Dilution Revision Act of 2006 ("TDRA"). This new federal law gives the holders of famous trademarks much greater ability to prevent others from using similar marks, even when that use is in relation to goods or services that would rarely if ever be confused with those of the holder of the famous trademark. This article reviews the TDRA, discusses recent case law decided under the TDRA, and raises some as yet unanswered questions about the intersection of the TDRA with the First Amendment. While ambiguities remain to be ironed out under this new law, it is clear that businesses (and those who advise businesses) must be more cautious about their choice of a trademark, because famous trademarks now have a much more expansive zone of protection than ever before.

WHY TOO MUCH FAME CAN BE A BAD THING FOR A TRADEMARK

The purpose of trademarks and service marks has always been to help consumers ensure that the goods or services they are purchasing originate from a particular provider. Thus, ever since Congress first passed the Lanham Act¹ in 1946, the touchstone for trademark infringement has been whether the defendant's activities or goods were likely "to cause confusion, or to cause mistake, or to deceive."² This is known as the "likelihood of confusion" standard. Paradoxically, the strength of a trademark is the inverse of its descriptiveness. In other words, potential marks that very precisely describe an owner's goods or services will receive less (or no) protection, while fanciful marks that bear no obvious relationship to the owner's goods or services receive the strongest protection. For instance, the name THE FISHING STORE for a store that sells fishing gear would likely receive no protection as a trademark, whereas the same store renamed THE SILVER SCALE could protect its name as a trademark, since it takes a leap of imagination to go from "silver scale" to fishing supplies.

Historically, companies that had wildly successful trademarked products stood in danger of losing trademark protection if the mark became too closely associated with the type of goods or services provided under the mark. Thus, the pharmaceutical company Bayer AG at one time had a trademark for its product called "aspirin" but, because of the widespread use of the word "aspirin" to describe any mixture of acetylsalicylic acid, Bayer lost that mark and the term "aspirin" passed into the public domain (*i.e.*, became generic).³

Companies with successfully trademarked products and services are necessarily concerned with protecting the continued validity of their mark. The conundrum such companies have always faced is that, the more successful their mark becomes, the more likely it is that the mark could become generic for similar goods and services. With the passage of the TDRA, the death of famous trademarks by "genericide" is much less likely.

CONGRESS'S FIRST ATTEMPT TO PROTECT FAMOUS MARKS CAUSED ACTUAL CONFUSION

The TDRA represents Congress's second attempt to provide extra protection to famous trademarks. In 1995, Congress passed the Federal Trademark Dilution Act (FTDA) to provide a remedy for the dilution of famous marks. "Dilution" in the FTDA was defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services."⁴ Congress's attempt to provide protection for famous trademarks followed the lead of almost half of the states, which had already adopted some form of protection for famous trademarks.⁵ However, the FTDA departed from many state statutes by requiring that the chal-

lenged trademark use must "cause dilution of the distinctive quality of the mark."⁶ Hence, a split grew among the circuits as to whether a famous trademark holder had to show actual dilution, or whether a likelihood of dilution was enough.⁷

Ultimately, the Supreme Court resolved that circuit split in favor of the actual dilution standard.⁸ In the *Moseley* case, the corporation that owns the Victoria's Secret trademark sued a retail sex toy outlet called "Victor's Secret" (and later, "Victor's Little Secret") for, among other things, famous trademark dilution. The corporation owning the Victoria's Secret trademark essentially admitted that no customers ever confused "Victor's Little Secret" with the much more well-known "Victoria's Secret" mark, nor were customers likely to do so.⁹ Contrasting the FTDA with various state acts, the Court found that Congress intended to protect only against actual dilution: "Where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution."¹⁰ Finding that the famous trademark holder had failed to present any evidence tending to show that there was any actual dilution by the junior user, the Court held that summary judgment was properly granted to the junior user.

Predictably, the *Moseley* decision engendered widespread consternation among the holders of famous trademarks. After numerous failed attempts to have *Moseley* legislatively overturned, famous trademark holders were ultimately successful last year with the passage of the TDRA.

THE TDRA GIVES MUCH CLEARER PROTECTION TO FAMOUS MARKS

In addition to adopting the "likelihood of dilution" standard, the TDRA also clarified numerous other ambiguous areas of the earlier statute. The provisions of the TDRA can be summarized as follows.

Acquired distinctiveness is sufficient: Somewhat descriptive terms can become trademarks if the trademark holder has used the term as a trademark for a sufficient period of time, such that the public has come to associate that term with the user's goods or services. The built-up goodwill necessary to transform a somewhat descriptive term into a trademark is called "acquired distinctiveness" or "secondary meaning." Under the old FTDA, it was not clear whether a mark that is largely descriptive but has acquired distinctiveness could be considered "famous." The TDRA now specifies that distinctiveness acquired by secondary meaning is sufficient to support a dilution action.

More than "world famous in Idaho" is required: Under the FTDA, there was controversy as to whether a mark that had "niche fame" (*i.e.*, was famous in a particular geographic area or industry) could qualify as "famous" for purposes of dilution. Under the TDRA, only marks that are widely recognized by the general consuming public of the United States as a designation of the source of goods or services of the mark's owners are protected.

Dilution can occur by both blurring and tarnishment: The *Moseley* decision questioned whether dilution by tarnishment, *i.e.*, the association of a famous mark with a less savory product or activity, was even actionable under the FTDA. The TDRA now specifically provides for dilution by blurring or tarnishment and defines both. Dilution by blurring occurs when an association impairs the mark's distinctiveness.¹¹ Dilution by tarnishment occurs when an association harms the mark's reputation.¹² Nonetheless, the devil will be in the details as to what types of association will be sufficient to show blurring or tarnishment.

Less protection for unregistered trade dress: Generally, trade dress is packaging or design of a product that may indicate to consumers the source of the goods. Because trade dress can include so many disparate elements (even the configuration of a room or building), Congress was careful to limit protection for such trade dress. In order to bring an action for dilution of unregistered trade dress, the trade dress must be famous separate and apart from the fame of any registered mark, even if the famous mark is incorporated into the unregistered trade dress.

Federal registration is a defense: The defendant's ownership of a valid registration on the principal register of the Patent and Trademark Office is a complete bar to a dilution action. Thus, a mark's fame may not result in the destruction of the rights of other registered trademark holders. However, registration on a state register, or continuous and widespread prior use without registration, does not provide at least a statutory defense.

Fair use is explicitly protected: The earlier FTDA protected certain express categories of fair use, but was criticized as being too limiting. The new TDRA defines fair use to include comparative advertising, parodies, criticism, and comment. It also expressly prohibits a dilution action based solely on news reporting, commentary and noncommercial use of a mark. Of course, Congress's enumeration of certain activities as "fair use" cannot undermine the free speech rights afforded to all by the First Amendment (as discussed further below).

CAN CONGRESS LEGITIMATELY CURTAIL SPEECH RIGHTS TO PROTECT FAMOUS TRADEMARKS?

The *Moseley* court's skepticism regarding the right of famous trademark holders to prevent other's use of similar marks when no likelihood of confusion will result has some deep roots. While the First Amendment generally prevents Congress from regulating speech (and a trademark infringement case is an attempt to limit speech), there has always been an exception for regulations seeking to prevent fraud or otherwise false speech, which is given no First Amendment protection.¹³ The Lanham Act's regulation of commercial speech to prevent any likelihood of consumer confusion from competitors seeking to pass off (whether intentionally or unintentionally) their goods or services as those of someone else falls in the heart of that exception. Congress's recent attempt to protect famous trademarks when there is no evidence showing a likelihood of consumer confusion or harm is on shakier ground.

The *Moseley* court's skepticism regarding the scope of protection to be given to famous marks appears to linger in the district court decisions that have been issued since the enactment of the TDRA. For example, in one of the first district court decisions to directly apply the TDRA's "likelihood of dilution" standard, an Arizona district court granted summary judgment to defendant Century Surety Co. against plaintiff Century 21 Real Estate LLC on the claim that Century's service marks—"Centurey Surety Group," "Century Insurance Group," and "Century Surety"—diluted the famous trademarks "Century 21 and Design" and "Century 21 Real Estate."¹⁴ The court found no jury could reasonably conclude that defendant's marks were likely to dilute Century 21's marks because the marks were dissimilar and no mental association between the generic word "century" and the mark "Century 21" could be shown. Similarly, in a case out of Illinois,¹⁵ the court found that, even applying the "likelihood of dilution standard," plaintiff had failed to show any evidence suggesting there was any likelihood of dilution of its allegedly famous "Autozone" mark by defendant's competing business known as "Oil Zone" and an associated business known as "Wash Zone."

In both of these cases, despite Congress's explicit command that acquired distinctiveness is sufficient for protection of famous trademarks, the courts took into account that a portion of the marks (*i.e.*, respectively, "century" and "zone") were common, descriptive terms,

such that protection of the word itself in the absence of confusion would essentially remove others' ability to use that word in commerce. As succinctly expressed by an earlier Ninth Circuit decision that refused to find that the marks "Fruit Cups" and "Fruit Flops" diluted the famous "Fruit of the Loom" mark under California's anti-dilution statute:

[I]f "fruit" by itself fell within the protected domain, it could be protected under the anti-dilution statute against all users, not merely those in competition with [Fruit of the Loom]. The humble, humdrum word 'fruit' would be barred from use by the Fruit Basket, the Fruit Gallery, and Fruit King, to name only three businesses currently listed in the San Francisco telephone directory. [Fruit of the Loom] would sweep clean the many business uses of this quotidian word.¹⁶

Thus, it remains to be seen whether, even with the "likelihood of dilution" standard, famous trademark holders will get all of the protection they desire. Nonetheless, the new law undoubtedly gives famous trademark holders the upper hand in any lawsuit, so junior users should be careful to avoid any uses that may be close to the use made of a famous trademark.

Unlike strong drink, strong marks will now brook no dilution.

ABOUT THE AUTHOR

Brian W. Esler is a member of the Idaho State Bar, and a partner in the Seattle office of Miller Nash LLP. His practice emphasizes intellectual property litigation and advice. He would like to thank his colleague, Michael Urbaitis, for some of the research that went into this article. Mr. Esler can be contacted at brian.esler@millernash.com or (206) 622-8484.

ENDNOTES

¹ 15 U.S.C. §§ 1051 – 1127.

² 15 U.S.C. § 1052(d).

³ See, e.g., *In Re Bayer Aktien Gesellschaft*, Case No. 20061279 (Fed. Cir. May 24, 2007) (affirming that Bayer's proposed mark ASPIRINA is merely descriptive); *Bayer Company v. United Drug Company*, 272 F. 505 (S.D.N.Y. 1921) (holding that "aspirin" was a generic term and thus unprotectable as a trademark).

⁴ 15 U.S.C. § 1127 (1995).

⁵ See, e.g., Idaho Statutes 48-513 ("Injury to Business Reputation – Dilution") (providing remedies to an owner of "a mark which is famous in this state" and setting forth factors to determine whether a mark is famous).

⁶ 15 U.S.C. § 1125(c)(1)(1995).

⁷ E.g., *Ringling Brothers/Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999) (holding that actual dilution was required) versus *Nabisco, Inc. v. P.F. Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (holding that a likelihood of dilution was sufficient).

⁸ *Moseley v. Secret Catalog, Inc.*, 537 U.S. 418 (2003).

⁹ *Moseley*, 537 U.S. at 429.

¹⁰ 537 U.S. at 433.

¹¹ 15 U.S.C. § 1125(c)(2)(B).

¹² 15 U.S.C. § 1125(c)(2)(C).

¹³ E.g., *Illinois ex rel. Madigan v. Telemarketing Associates*, 538 U.S. 600, 612 (2003) ("But the First Amendment does not shield fraud.").

¹⁴ *Century 21 Real Estate LLC v. Century Insurance Group*, 2007 WL 484555 (D. Ariz. Feb. 8, 2007).

¹⁵ *AutoZone, Inc. v. Strick*, 2007 WL 683992 (N.D. Ill. 12/7/06).

¹⁶ *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1363 (9th Cir. 1993).

CONFLICTS BETWEEN DOMAIN NAMES AND TRADEMARKS

Bob Shaver

Dykas, Shaver and Nipper, LLP

When a new business entity is created, one of the first action items is promptly to secure the chosen domain name for use by the business. *This is a race your client must not lose!* However, if the chosen domain name turns out to be in conflict with an existing trademark, the business could waste energy, time and money dealing with the conflict. To understand the ground rules by which the conflict between domain names and trademarks is decided, one must first understand some of the history and purposes of both trademarks and domain names.

TRADEMARKS

Trademarks were first used in Mesopotamia in 3000 BC and may have been used in China as early as 5000 BC. Later, trademarks were used in medieval Europe to indicate that products were manufactured by a certain guild. The purpose of the trademarks was not only to confirm that a product was made by a qualified craftsman, but also to identify a particular guild as the source of a product.

LOWENBRAU is one contender for the oldest trademark in the world, claiming continuous use from 1383. The owners of the trademark STELLA ARTOIS for beer, however, claim continuous use from 1366. These relative newcomers to trademark use were preceded, though, by the trademark of WELTENBURGER KLOSTER BAROCK DUNKEL, another beer product, which claims use from 1050 AD.

Among trade guilds in Europe, makers of bells were among the first craftsmen to adopt the use of trademarks to indicate manufacture by a particular guild, followed by papermakers who added watermarks to identify where a particular paper came from.

The first actual trademark infringement case was *Southern vs. Howe*, decided in England in 1618. In that case, a manufacturer of high quality cloth sued a competitor who produced lower quality cloth but used a mark that was reserved for higher quality cloth.

In the United States, as Secretary of State, Thomas Jefferson advocated passage of trademark legislation in 1791. After centuries of use as indicators of the origin of goods, the common law enforcement of trademarks was eventually codified in U.S. trademark law in 1870. That statute was repealed as being unconstitutional and passed again in 1881. At about the same time, many other countries of the world enacted written trademark laws, including England in 1875.

The first trademark in the United States was registered in 1870 for AVERILL, the first commercially mixed paint. The first trademark registered in the United Kingdom under the trademark statutes was BASS BREWERY in 1876.

Other famous older trademarks include Coca Cola®, first used as a trademark in 1887, and Quaker®, first used as a trademark for oats in 1895.

Since the origins of trademarks in ancient times, and through their use in medieval Europe, the enforcement of trademarks under the common law of England and then under statutes of England, United States and other countries, the purpose of trademark protection has been to protect the public from goods that would be likely to confuse customers as to their origin. A trademark thus indicates to a consumer the origin of a particular good. The

consumer should be able to rely on that indication of origin to know the source from which the goods he or she is buying originated, and thus to have some assurance as to the quality of the goods.

The rule by which trademark infringement is evaluated is also used when a trademark is judged for registrability. That standard is whether a mark is likely to cause confusion with other marks already in use. Similarly, in the case of trademark infringement, the question is whether one mark would be likely to cause confusion of customers as to the origin of goods on which that mark is placed with goods manufactured by another trademark registrant.

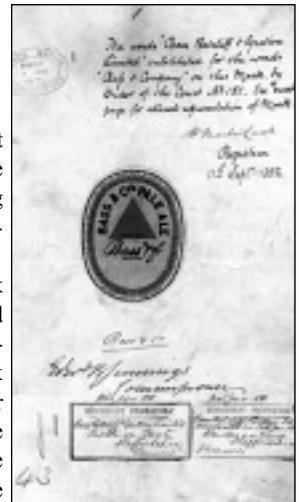
In U.S. trademark law, trademarks are registered in many different categories, including ones for clothing, insurance services, food products, and about forty other categories. Thus, it is possible for one trademark to be registered for two different kinds of products if the use on the two different kinds of products is not likely to cause confusion of customers. For instance, MACINTOSH® is a trademark that is found on high quality stereo equipment but is also a trademark owned by APPLE®, for use on computers. Presumably, these registrants have either reached some sort of agreement to coexist, or the two marks have been found to be not likely to cause confusion among the customers of those goods.

DOMAIN NAMES

Domain names are a much more recent creation than trademarks and owe their existence to the Internet. Technically, a domain name is known as a “uniform resource locator,” or “URL.” Computers and computer networks see a domain name as a series of numbers that are used to identify a specific computer connected to the Internet. The series of numbers is called an Internet protocol address, or “IP” address. It is comprised of a string of four sets of numbers separated by periods, such as “305.128.761.05.” The IP address or domain name is similar to a street address or a telephone number, in that every computer in the system must have a unique address so that messages are routed to the correct address. As in street addresses or telephone numbers, each domain name must be unique, but may be quite similar to other domain names. Domain names can be one letter or one number different than other domain names, and that difference is sufficient to provide a unique mailing address for the routing system of the Internet – and would be registered without hesitation by the companies that assign domain names.

Since domain names only need to differ by one character, it is easy to find a unique domain name merely by adding characters to the words of choice, or by adding a number of words together to form new groups of letters. Domain names include a label at the end of the string of characters, which is referred to as a “top level domain” (TLD). These include such TLDs as .com, .edu, .gov, .int, .net, and .org.

As can be seen by the different purposes and history of trademarks and domain names, it could be very easy to register a domain name that a trademark owner would consider to be likely to cause confusion with its trademark. However, as discussed below, the rules of domain names/trademark conflicts are set up so that, very often, the owners of



First trademark registered in the United Kingdom, for Bass Pale Ale.



Trademark for WELTENBURGER KLOSTER BAROCK DUNKEL, Klosterbrauerei Weltenburg is the owner of the rights.

trademarks can prevail over domain name owners when confusion exists.

DOMAIN NAME ARBITRATION UNDER ICANN

Domain name registration is managed by ICANN, the Internet Corporation for Assigned Names and Numbers. ICANN has established a Uniform Domain Name Dispute Resolution Policy (UDRP).¹ The UDRP provides a mechanism for trademark owners to enforce their trademark rights against domain name owners who own a domain name that infringes (*i.e.*, is likely to cause confusion of customers) a particular trademark.

Under the UDRP, in order for a trademark owner to prove that a domain name should be cancelled or transferred to the trademark owner, he must file a request for arbitration and, in that arbitration, must prove that:

1. the domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights;
2. the domain name owner does not have any rights or legitimate interest in respect of the domain name; and,
3. the domain name owner registered the domain name and is using it in bad faith.

The UDRP identifies a (non-exclusive) list of several examples of bad faith in registration and use of a domain name. These examples include:

1. Circumstances indicating that the domain name owner registered the domain name or acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name.
2. The domain name owner registered the domain name to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that the domain name owner has engaged in a pattern of such conduct.
3. The domain name owner registered the domain name primarily for the purpose of disrupting the business of a competitor.
4. By using the domain name, the domain name owner has intentionally attempted to attract, for commercial gain, internet users to the domain name owner's web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of the domain name owner's web site or location or of a product or service on the domain name owner's web site or location.

From the point of view of the domain name owner, in order to prevent his domain name from being cancelled or transferred to a trademark holder, he must show that at least one of several circumstances pertain to his use of the domain name. These include:

1. Before any notice to the domain name owner of the dispute, the domain name owner's use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services;
2. The domain name owner (as an individual, business, or other organization) has been commonly known by the domain name, even if the domain name owner has not acquired any trademark or service mark rights; or,

3. The domain name owner is making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

One result of these rules is that, if a domain name owner offers to sell a domain name to a trademark owner in a manner that indicates he purchased the domain name in order to make a profit in a speculative manner, he will give the trademark owner evidence to prove that the domain name was registered in bad faith. One way to avoid providing such evidence to a trademark owner is to offer the domain name for a nominal sum or a sum essentially sufficient to cover out-of-pocket costs.

The fee for filing the UDRP arbitration request is \$1300, and preparing the complaint and legal fees might add another \$2000 or more to that amount.

LITIGATION UNDER THE ANTI CYBER-SQUATTING CONSUMER PROTECTION ACT

Another mechanism for trademark owners to protect their trademark rights against domain name owners can be found in the Anti Cyber-Squatting Consumer Protection Act (ACPA), a federal law that took effect on November 29, 1999.²

Under the ACPA, the trademark owner plaintiff must prove the following elements:

1. the defendant has a bad faith intent to profit from that mark, including a defendant name which is protected as a mark; and,
2. the defendant registers, traffics in, or uses a domain name that—
 - (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;
 - (II) in the case of a famous mark that is famous at the time of registration, is identical or confusingly similar to or dilutive of that mark; or,
 - (III) is a trademark, word, or name protected by reason of 18 U.S.C. § 706 or 36 U.S.C. § 220506.

As in the UDRP, under the ACPA, the trademark owner must basically prove bad faith. Factors which indicate bad faith include the following:

1. the trademark or other intellectual property rights of the defendant, if any, in the domain name;
2. the extent to which the domain name consists of the legal name of the defendant or a name that is otherwise commonly used to identify the defendant;
3. the defendant's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
4. the defendant's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
5. the defendant's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
6. the defendant's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the defendant's prior conduct indicating a pattern of such conduct;

7. the defendant's provision of material and misleading false contact information when applying for the registration of the domain name, the defendant's intentional failure to maintain accurate contact information, or the defendant's prior conduct indicating a pattern of such conduct;
8. the defendant's registration or acquisition of multiple domain names which the defendant knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and.
9. the extent to which the mark incorporated in the defendant's domain name registration is or is not distinctive and famous within the meaning of Section 1125(c)(1) of the Lanham Act.

The ACPA specifically provides that bad faith intent will not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

Remedies granted under the ACPA include forfeiture, cancellation or transfer of the domain name, as well as statutory damages of not less than \$1,000.00 and not more than \$100,000.00.³ In one famous domain name case, John Zuccarini lost an ACPA case involving five domain names that the court determined were registered and used in bad faith and were confusingly similar to the plaintiff's trademark. The plaintiff was awarded statutory damages of \$500,000.00 for each of the five domain names, and Zuccarini was ordered to pay attorney fees of more than \$30,000.00.⁴

When additional remedies or damages are sought beyond the mere transfer of a domain name, the trademark holder typically will choose to file an action with the ACPA. An action under the ACPA is a lawsuit,

and like any lawsuit, will cost the trademark holder considerable time and expense.

CONCLUSION

Registering both a domain name and a trademark is essential for a new business, with a search of existing trademarks being important to be sure to avoid conflicts with any senior trademark registrants. After checking for conflicts, the domain name should be registered first, so that a cybersquatter will not have the opportunity to reserve the domain name based on a newly detected trademark filing. Since a domain only costs \$10-\$15 per year to register, the client should register all possible variations of her mark. Subsequent recovery of a domain name to which the client is entitled by virtue of a trademark will be much more expensive, and perhaps unsuccessful.

ABOUT THE AUTHOR

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ENDNOTES

¹ Available at <http://www.icann.org/udrp/udrp.htm>.

² 15 U.S.C. § 1125(d).

³ See 15 U.S.C. § 1117(d).

⁴ *Electronics Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q. 1705 (E.D. Pa. Oct 30, 2000). Mr. Zuccarini has lost other "typopsquatting" and "cybersquatting" cases, served prison time for pornography-related internet crimes, and was ordered to relinquish \$19 million in earnings from his domain name scamming business.

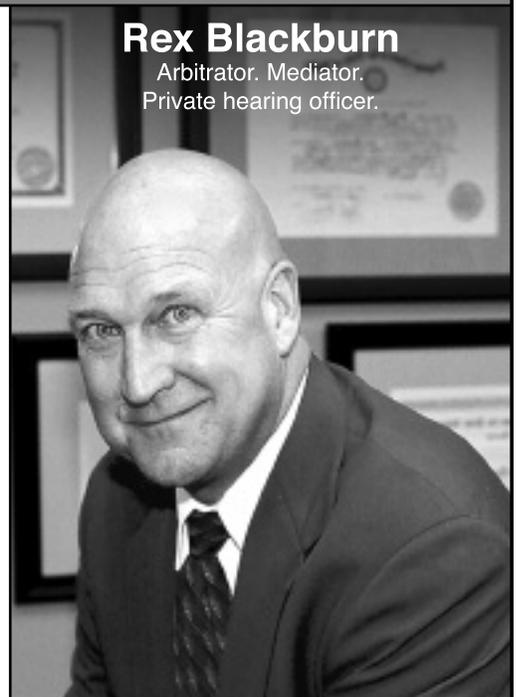
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STATUTORY DAMAGES UNDER THE COPYRIGHT ACT

Christopher Pooser
Stoel Rives LLP

The Copyright Act¹ provides copyright owners with significant remedies for the infringement of a copyright, including the owner's actual damages and any additional profits of the infringer or, in lieu of actual damages and profits, statutory damages.² Statutory damages, the focus of this article, offer copyright holders significant advantages in copyright infringement litigation. As copyright law evolves with advances in computer and digital technology, the advantages of statutory damages are worth considering.

Statutory damages are not available as a remedy in every case of copyright infringement—statutory damages are only available when the copyright holder has, by registration, made his or her copyright claim a matter of public record. More precisely, statutory damages are limited to unpublished works registered with the Copyright Office prior to the infringement, and published works registered within three months of the first publication of the work.³

By timely registering a work, the copyright holder can elect to pursue statutory damages in lieu of actual damages and profits gained by the infringer. The copyright holder can elect to recover statutory damages at any time before the court has rendered its final judgment,⁴ regardless of the adequacy of proof of actual damages or infringer profits.⁵ Indeed, statutory damages are available to a copyright holder without proof of actual damage or profits.

Thus, the election of statutory damages can provide a significant advantage in litigation. Actual damages can be difficult to establish and, in some cases, statutory damages can be much greater than the actual injury suffered by the copyright holder. As the United States Supreme Court has explained, “[e]ven for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within [the] statutory limits to sanction and vindicate the statutory policy” of discouraging infringement.⁶

The copyright holder may elect to recover “an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually.”⁷ A statutory damage award can range between \$750 to \$30,000, “as the court considers just.”⁸ The award is subject to adjustments below or above that range depending upon the willfulness of the infringement. If the infringer shows that it was “not aware and had no reason to believe” that it was infringing the copyright, the court may reduce the award of statutory damages to no less than \$200 for each work.⁹ On the other hand, if the copyright holder shows the infringement was willful, the court can award damages up to \$150,000 for each work.¹⁰

The court has great discretion in fashioning the statutory damage award and is constrained only by the specified maxima and minima.¹¹ In measuring damages, the court is to be guided by “what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like... .”¹²

As noted, a statutory damage award is available “for all infringements involved in the action, with respect to any one work.” Importantly, “all the parts of a compilation or derivative work constitute one work.”¹³ As a result, an award of statutory damages will depend on the number of works that are infringed and the number of individually liable infringers and not the number of infringements of those works.¹⁴ Two federal court decisions, in particular, illustrate this point.

In *Venegas-Hernandez v. Sonolux Records*, the first circuit court of appeals reviewed a judgment awarding statutory damages for the infringement of two songs that were included in a total of sixteen

albums.¹⁵ The question before the court was whether statutory damages should be applied to each infringed work or to each act of infringement on a given work. In other words, was the copyright holder entitled to two statutory damage awards (*i.e.*, \$200,00) or sixteen statutory damage awards (*i.e.*, \$1,600,000)? The court ruled that the total number of statutory damage awards a copyright holder may recover against a single infringer depends on the number of works that are infringed and is unaffected by the number of infringements of those works.¹⁶ Thus, two statutory damage awards, not sixteen, were proper in the *Venegas-Hernandez* case.

In the recent decision of *WB Music Corp. v. RTV Communication Group, Inc.*, the Second Circuit Court of Appeals addressed whether “one work” for the purposes of computing statutory damages refers to a “compilation” created by the copyright holder or the infringer. In that case, thirteen copyrighted songs had been copied illegally and ultimately included in a total of seven compact discs.¹⁷ The district court had awarded one statutory damage award for each compact disc created by the infringer, for a total of seven awards. The Second Circuit reversed the lower court, finding that “compilation” refers to a compilation created by the copyright holder, not the infringer. Because there was no evidence that the copyright holder had included any of the thirteen songs in a compilation, each of the songs constituted one work and, thus, thirteen statutory damage awards were warranted.¹⁸

In sum, statutory damages can offer a copyright holder significant advantages in copyright infringement litigation if the copyright in question was registered timely and if the copyright holder may have difficulty demonstrating actual damages or profits gained by the infringer. Moreover, the amount of statutory damages can be substantial, and may exceed any actual damages, even though any statutory damage award must be calculated according to the number of works infringed, not the number of infringements.

About the Author

Christopher Pooser is an attorney in the Boise office of the law firm Stoel Rives LLP, where he specializes in complex business and intellectual property litigation and in environmental and administrative law. Mr. Pooser graduated from the Georgia Institute of Technology with a B.A. in Architecture in 1991, and received his J.D. from Tulane University School of Law in 1996.

ENDNOTES

¹ 17 U.S.C. §§ 101–1332.

² *Id.* at § 504(a).

³ *Id.* at § 412. In addition to statutory damages, attorney fees are also available only to copyright holders who timely register their works.

⁴ *Id.* at 504(c)(1).

⁵ *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984).

⁶ *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233, 73 S.Ct. 222, 225, 97 L.Ed. 276 (1952).

⁷ 17 U.S.C. § 504(c)(1).

⁸ *Id.*

⁹ *Id.* at § 504(c)(2).

¹⁰ *Id.*

¹¹ *Harris*, 734 F.2d at 1335.

¹² *Woolworth*, 344 U.S. 228, 232, 73 S.Ct. 222, 225, 97 L.Ed. 276 (1952) (quoting *L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 106-07, 39 S.Ct. 194, 195-96, 63 L.Ed. 499 (1919)).

¹³ *Id.*

¹⁴ *Venegas-Hernandez v. Sonolux Records*, 370 F.3d 183, 191-94 (1st Cir. 2004); *WB Music Corp. v. RTV Communication Group, Inc.*, 445 F.3d 538, 540-541 (2nd Cir. 2006); *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C. Cir. 1990). See also *Columbia Pictures Television v. Krypton Broadcasting*, 106 F.3d 284, 294 (9th Cir.1997) (*rev'd* on other grounds *Feltner v. Columbia Pictures Tv.*, 523 U.S. 340, 118 S.Ct. 1279, 140 L.Ed.2d 438 (1998)).

¹⁵ *Venegas-Hernandez, supra*.

¹⁶ *Id.* at 191-194.

¹⁷ *WB Music*.

¹⁸ *Id.* at 540-541.



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Mr. Clark served as an Adjunct Instructor of Negotiation and Settlement Advocacy at the Straus Institute For Dispute Resolution, Pepperdine University School of Law in 2000. He served as an Adjunct Instructor at the University of Idaho College of Law on Trial Advocacy Skills, negotiation Skills, and Mediation Advocacy Skills. He has lectured on evidence law at the Magistrate Judges Institute, and the District Judges Institute annually since 1992.

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USE OF THE INTERNET AND PERSONAL JURISDICTION

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Most Americans use the Internet every day. From the convenience of our home or office, we can carry on email exchanges with people and companies all over the world. With a few clicks of the mouse, we can purchase almost anything over the Internet and have it delivered to our front door. For any company, large or small, internet advertising and marketing strategies have become a fact of life.

What are the consequences of these new communication tools in regard to personal jurisdiction?

Earlier this year, in the case of *Blimka v. My Web Wholesaler, LLC* (Docket No. 32185, January 29, 2007), Justice Jim Jones found that internet advertising, email, and telephone contacts were sufficient for an Idaho Court to exercise jurisdiction over a small Maine-based company and its manager who had entered into an agreement with an Idaho resident. The appeal arose as a result of a default judgment entered against the defendants.

In the foregoing case, the district court found that it had personal jurisdiction and that the defendants had committed fraud, breached the implied warranty of merchantability, and breached an express warranty. Justice Jones' opinion addressed the fraud claim. Relying upon Idaho Code § 5-514(b) ("commission of a tortious act within the state"), the Court found that the ... "allegedly fraudulent representations were directed at an Idaho resident and the injury occurred in this state." The Court stated ... "Idaho has an ever-increasing interest in protecting its residents from fraud committed on them from afar by electronic means."

In another recent decision in a case pending in the U.S. District Court for the District of Idaho, Judge Lodge also considered issues relating to internet jurisdiction. The plaintiff, Precision Craft Log Structures, Inc., of Meridian, Idaho, alleged copyright infringement of its architectural plans. The defendant, a Nevada corporation with its place of business in Arizona, had never conducted any business in Idaho.

In the case before Judge Lodge, the defendant maintained an internet site that was not specifically directed at Idaho (or any other state). The website provided information regarding the defendant company, as well as contact information. The site included dozens of renderings, pictures, and floor plans of home. Plans could be viewed and/or purchased over the internet and viewers could subscribe to an email newsletter. Precision Craft alleged that its copyrighted architectural plans appeared on the defendant's website.

The defendant moved for dismissal of the complaint for lack of personal jurisdiction, arguing that defendant's contacts with Idaho were virtually non-existent and that it had done nothing to purposely direct its business activities to Idaho residents.

Judge Lodge agreed that the defendant had not purposely availed itself of the privilege of conducting activities in Idaho so as to fall under Idaho's long-arm statute based on the "transaction of any business within the state."

However, this was not the end of the Court's analysis. Since copyright infringement is in the nature of a tort, the Court then considered jurisdiction based upon alleged tortious acts committed within the state and potentially giving rise to jurisdiction under Idaho Code § 5-514(b).

Citing the rule that when a corporation's copyright is infringed, the corporation suffers harm in its primary place of business, the Court applied the "effects test" for intentional torts. Under this test, personal jurisdiction can be based upon: (1) intentional actions, (2) expressly aimed at the forum state, and (3) causing harm, the brunt of which is suffered, and which the defendant knows is likely to be suffered, in the forum state.

Applying this test, the Court found that the defendant, Cabin Kit, knew or should have known that the plans and drawings were copyrighted by Precision Craft, because the artist of the colored drawings submitted an affidavit that he produced the work for Precision Craft and Precision Craft's president, and counsel had contacted defendant about the alleged copyright infringement prior to any litigation. The defendant had been offered a retroactive license for the use of Precision Craft's copyrighted plans, but that license was refused.

In particular, Judge Lodge held as follows:

"In the present case, a competitor of Plaintiff, who could deliver catalogs, sell cabin plans and materials to customers in Idaho and elsewhere from their web site, was allegedly using Plaintiff's copyrighted materials without permission yet with the knowledge Precision Craft was based in Idaho. This alleged misappropriation of the copyrighted materials for the sake of increasing sales against a competitor located in Idaho is the "something more" required under the effects test to satisfy the purposeful availment requirement for specific, personal jurisdiction. The Court finds that assuming the alleged acts of copyright infringement to be true for purposes of the motion to dismiss, the Defendant Cabin Kit's conduct and connection with Idaho were such that they should have reasonably anticipated being sued in Idaho." *Thomas Jackson Publishing, Inc. v. Buckner*, 625 F. Supp 1044, 1046 (D. Neb. 1985); *Brayton Purcell, LLP v. Recordon & Recordon*, 361 F. Supp. 2d 1135 (N.D. Cal. 2005).

The Court did dismiss the individual defendants. Following the Court's denial of its motion to dismiss, the corporate defendant Cabin Kit failed to appear for trial. After a hearing Judge Lodge entered judgment in favor of Precision Craft for willful copyright violation in the amount of \$300,000.00.

CONCLUSION

In this new electronic age the law is blending traditional forum contacts, such as telephone calls or visits, with emerging communication tools on the internet. Initially, counsel may have few actual facts to rely upon. In those cases consider discovery of jurisdictional facts. The new federal rules concerning the discovery of electronically stored information provide a fertile source of discovery.

Obviously the quality and quantity of contacts with the forum are essential. When electronic communications are the only contact with the forum courts have focused on the level of interactivity involved. It is unlikely that a passive website will confer jurisdiction. However, a website that includes the ability for a visitor to interact with the website's owner is more likely to confer jurisdiction over the website owner in the visitor's state. And, of course, the infringement of copyrighted material by display on a website will also likely confer jurisdiction.

ABOUT THE AUTHOR

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RECENT DEVELOPMENTS IN INTERNET LAW

Brad Frazer

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Internet law continues to grow and change almost daily, particularly in the context of intellectual property law. This is not surprising, given that the Internet is a virtual medium created wholly out of incorporeal assets that cannot easily be protected by fences, guard dogs, or bank vaults. Instead, the assets of the Internet—*e.g.*, websites, domain names, metatags, software, music, pictures, novel business methods, and other intangibles—are best preserved and defended through application of patent, trademark, copyright, and trade secrets law. These traditional intellectual property law concepts have been stretched and modified a bit to fit the new parameters of the Internet, but it has been interesting to see how, as Internet law has developed over the past ten years, these classic intellectual property law concepts, combined with applications of contract and other basic law, remain viable and vibrant.

For example, in the realm of copyright law, the last several months have seen major developments in the areas of webcasting royalties, file sharing, digital rights management, orphan works, linking, and legislation. Trademark law has seen important holdings affecting keywords, metatags, and domain names. There have been significant patent disputes between Broadcom and Qualcomm, and Vonage and Verizon, that relate to how certain Internet technologies function, and there has been a very vocal and ongoing public dialogue, championed by certain open source advocates like Red Hat, makers of a particular brand of a Linux-based operating system software, over the need for and effect of software patents.

This article, then, will highlight certain key legal developments impacting the Internet, with an emphasis on matters affecting intellectual property.

LEGISLATION

Utah Trademark Protection Act: On February 15, 2007, Utah state senator Dan Eastman introduced S.B. 236, the Utah Trademark Protection Act.¹ The act creates a new intellectual property right called an “electronic registration mark,” defined as a “word, term, or name that represents a business, goods, or a service.”² Owners of eligible words can register the terms in a new state registry by paying a nominal fee. Once registered, an infringement occurs if another person “uses an electronic registration mark to cause the delivery or display of an advertisement for a business, goods, or a service: (i) of the same class, as defined in [Utah Code Annotated] Section 70-3a-308, other than the business, goods, or service of the registrant of the electronic registration mark; or (ii) if that advertisement is likely to cause confusion between the business, goods, or service of the registrant of the electronic registration mark and the business, goods, or service advertised.”³ Utah governor Jon M. Huntsman, Jr., signed the bill on March 19, 2007.⁴

In essence, the Utah Trademark Protection Act prohibits a third party from acquiring keywords through a mechanism such as Google’s AdWords program if those keywords are confusingly similar to an electronic registration mark. For example, if a third party paid Google for the keyword “BLOXON” so that the third party’s desired results would appear in response to a Google search for the word “BLOXON,” Google and the third party would potentially be liable for infringement under the law if someone had previously registered “BLOXON” as an electronic registration mark and the infringing search results were available to a Utah resident. Most commentators expect challenges to the Act on constitutional grounds, particularly under the Commerce Clause, since the Act potentially impacts interstate commerce.

FAIR USE Act of 2007: The Freedom and Innovation Revitalizing U.S. Entrepreneurship (“FAIR USE”) Act of 2007,⁵ introduced in the

U.S. House of Representatives on February 27, 2007, by Representatives Rick Boucher (D-VA) and John Doolittle (R-CA), is a legislative response to the anti-circumvention provisions of the 1998 Digital Millennium Copyright Act,⁶ and to the U.S. Supreme Court’s decision in *Grokster*.⁷ With respect to *Grokster*—which held that “one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringement by third parties”⁸—the FAIR USE Act would require U.S. courts to remit statutory damages for such secondary copyright infringements (including contributory infringement, inducement of infringement, vicarious liability or other indirect infringement), except in cases in which the copyright owner sustains the burden of proving, and the court finds, that the act or acts constituting secondary infringement were done under circumstances in which no reasonable person could have believed such conduct to be lawful. Also presumably in response to *Grokster*, the FAIR USE Act would codify certain aspects of the Supreme Court’s 1984 *Betamax*⁹ decision by prohibiting any person from being liable for copyright infringement based on the design, manufacture, or distribution of a hardware device or of a component of such device if the device is capable of substantial, commercially significant noninfringing use.

With respect to the Digital Millennium Copyright Act, the FAIR USE Act would make the prohibition on circumvention of a technological measure that effectively controls access to a protected work under 17 U.S.C. § 1201 (for example, to descramble a scrambled work, to decrypt an encrypted work, or to otherwise avoid, bypass, remove, deactivate, or impair a technological measure without the authority of the copyright owner) non-applicable to a person by reason of that person’s engaging in a noninfringing use of any of the six classes of copyrighted works set forth in the determination of the Librarian of Congress in Docket No. RM 2005-11, as published as a final rule by the Copyright Office, Library of Congress, effective November 27, 2006.¹⁰

LINKING

The case law concerning linking has evolved to follow the general rule that pure linking—*i.e.*, placing a hypertext link on one’s website that when clicked takes the user to another website or content on the Internet—is not, in and of itself, tantamount to copyright infringement as long as the content from the other website is not actually imported into the first site. In *Live Nation Motor Sports v. Tripleclamps*,¹¹ however, the U.S. District Court for the Northern District of Texas entered a preliminary injunction against Supercrosslive.com for posting a link on its website to a live webcast of motorcycle racing events, the copyright to which webcast was owned by plaintiff. There was no apparent actual copying of any work by the defendant—from the Memorandum Opinion, it appears the defendant’s only act was to host a link to the webcast on its site. Nonetheless, the court held that “the unauthorized link to the live webcasts . . . would likely qualify as a copied display or [public] performance,”¹² acts the exclusive rights to which are reserved to the copyright owner under 17 U.S.C. § 106. There was no indication that any of plaintiff’s content ever appeared or was resident on defendant’s site or servers, and there was no evidence of any actual copying or public performance or other conduct that might violate 17 U.S.C. § 106, other than the link itself. It will be interesting to watch this case on its inevitable path through the appeals process to see if this extension of the definition of “display or public performance” will be upheld. Since no content was actually copied, it seems unlikely that the case will ultimately withstand scrutiny under existing precedent.

TRADEMARKS AND METADATA

Declining to follow precedent in other circuits, a federal district court for the Eastern District of Pennsylvania recently ruled, in *J.G. Wentworth, S.S.C. v. Settlement Funding LLC*,¹³ that a website's attempt to increase its ranking in search engine listings through invisible use of a competitor's trademarks, either through hidden metatags or as a keyword to trigger its own paid advertisements, does *not* violate federal trademark law under the Lanham Act. The court's decision rested on its determination that consumers who enter a trademarked term into a search engine should be aware that the search results contain sites which are related to the trademark, but which may not be about the subject of that trademark or belong to the trademark owner. Therefore, the court concluded, consumers should investigate any site listed in the search results before determining that it belongs to the trademark owner, avoiding any likelihood of confusion and any violation of the Lanham Act.¹⁴

This case is particularly interesting because the court found for the defendant even though it expressly held that "defendant's participation in Google's AdWords program and defendant's incorporation of plaintiff's marks in its keyword meta tags constitute trademark use under the Lanham Act."¹⁵ Evidently, the distinguishing factor was the court's reliance on its finding that there was no likelihood of confusion, and thus there could be no trademark infringement. The court held:

Due to the separate and distinct nature of the links created on any of the search results pages in question, potential consumers have no opportunity to confuse defendant's services, goods, advertisements, links or websites for those of plaintiff. Therefore, I find that initial interest protection does not apply here. Because no reasonable factfinder could find a likelihood of confusion under the set of facts alleged by plaintiff, I will grant defendant's motion to dismiss.¹⁶

Thus, under the *Wentworth* case, the burden seems to be placed on the consumer using the search engine to understand the nature of those results and to be able to determine whether or not a particular result features links to sites affiliated with or sponsored by the mark's owner. This is troubling, in my view, because trademark law exists to protect consumers and, given the novelty of Internet search technology, the court may be giving the average web-surfing consumer too much credit.

COPYRIGHT

In *Perfect 10 v. Google*,¹⁷ Perfect 10, an adult magazine publisher, sued Google for, *inter alia*, copyright infringement arising out of Google's practice of causing photographic images, the copyrights to which belong to plaintiff, to appear as results of searches conducted by users of a Google feature called "Google Image Search." When a person runs a query for an image on Google Image Search, the results appear as small pictures called "thumbnails" as well as links to the source of the thumbnail image. The thumbnail image is actually stored, or "cached," on a Google server. If one clicks on the link (the source of the thumbnail), however, the original image appears inside a new window within the Google search result (a process called "framing"), and Google neither stores nor serves the content appearing inside the frame.

The district court found that Perfect 10 would likely prevail on the merits on its claims of direct copyright infringement against Google's practice of caching and serving the thumbnail photographic images, but would likely not prevail on its related claims of vicarious and contributory copyright infringement against Google based on its practice of framing, because Google neither cached nor stored the framed content—that content was served up by the original site.¹⁸ On appeal, the Ninth Circuit reversed the district court's findings as to Google's process of caching thumbnails, finding that such use was sufficiently transformative so as to merit protection under the fair use doctrine (17 U.S.C. Section 107).¹⁹ The court held:

Google's use of thumbnails is highly transformative. In *Kelly*, we concluded that Arriba's use of thumbnails was transformative because "Arriba's use of the images serve[d] a different function than Kelly's use—improving access to information on the [I]nternet versus artistic expression." *Kelly*, 336 F.3d at 819. Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a "parody has an obvious claim to transformative value" because "it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one," *Campbell*, 510 U.S. at 579, a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool.²⁰

The opinion has significance to website owners and operators as it clarifies the issue of how much third-party content one may import and display on one's site without being liable for copyright infringement. The key to such use appears to be how transformative the allegedly infringing use is; indeed, the Ninth Circuit appears to be on its way to elevating the "transformative factor" above the three other fair use factors relevant to this analysis.²¹

COMMUNICATIONS DECECY ACT

The Communications Decency Act²² ("CDA") has been widely applied to insulate Internet service providers and web hosts from liability for content appearing on or made available through their networks. For example, in *Barrett v. Rosenthal*,²³ plaintiffs operated websites devoted to exposing health frauds. The defendant operated an Internet discussion group, and plaintiffs alleged that defendant and others committed libel by maliciously distributing defamatory statements in e-mails and Internet postings, impugning plaintiffs' character and competence and disparaging their efforts to combat fraud. They alleged that defendant republished various messages even after Dr. Barrett warned her that they contained false and defamatory information. Finding in favor of the defendant, the California Supreme Court held that the CDA prohibits distributor liability for Internet publications and that it also immunizes individual users of interactive computer services.²⁴

A different aspect of the CDA was recently applied in *Perfect 10 v. CCBill*.²⁵ It is well settled that the immunity created by Section 230(c)(1) of the CDA is limited by Section 230(e)(2), which requires the court to construe Section 230(c)(1) in a manner that would neither "limit [n]or expand any law pertaining to intellectual property."²⁶ As a result, the CDA does not clothe service providers with blanket immunity from laws pertaining to intellectual property. In the *CCBill* case, the Ninth Circuit found that the statutory definition of "intellectual property" also includes state law claims for right of publicity, unfair competition, and false advertising. Thus, it appears that, at least in the context of the CDA, courts are expanding traditional notions of "intellectual property" as being limited to copyright, trademark, patent, and trade secrets.

CLICK-WRAP, JURISDICTION, AND VENUE

In *Feldman v. Google*,²⁷ a click-wrap forum selection clause was enforced in favor of Google, resulting in transfer of a case from Pennsylvania to California, even though Feldman never read the online contract. In affirming the click-wrap contract, the court held:

The [Google] Agreement here is very similar to click-wrap agreements that courts have found to have provided reasonable notice. See, e.g., *Forrest v. Verizon Communications, Inc.*, 805 A.2d 1007, 1010-11 (D.C. Cir. 2002) (holding that adequate notice was provided of click-wrap agreement terms where users had to click "Accept" to agree to the terms in order to subscribe, an admonition in

capital letters was presented at the top of the agreement to read the agreement carefully, the thirteen-page agreement appeared in a scroll box with only portions visible at a time, and the forum selection clause was located in the final section and presented in lower case font). A reasonably prudent internet user would have known of the existence of terms in the [Google] Agreement. Plaintiff had to have had reasonable notice of the terms. By clicking on “Yes, I agree to the above terms and conditions” button, Plaintiff indicated assent to the terms. Therefore, the requirements of an express contract for reasonable notice of terms and mutual assent are satisfied. Plaintiff’s failure to read the Agreement, if that were the case, does not excuse him from being bound by his express agreement.²⁸

The advice, then, to those seeking to hold customers or site visitors to the terms of their online contracts is to ensure precedent is followed and that online contracts have clear and conspicuous mechanisms for tracking visitors’ manifestations of assent.

CONCLUSION

The once anarchist universe that was the Internet is becoming more mainstream, regulated, and acceptable. Indeed, even an organization as august as the American Bar Association has acknowledged the power of the Internet. An article in the March 2007 issue of the *ABA Journal* entitled “Fantasy Life, Real Law” discussed the viability of offering legal services to denizens of the web-based MMORPG²⁹ called “Second Life.”³⁰ It is doubtful that this area of law will ever become as well-settled as, say, boundary law or the law of estates in real property, but it is reassuring to know that, slowly, precedents are being established. In the interim, intellectual property lawyers and other attorneys should closely monitor legal developments impacting the Internet.

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ENDNOTES

¹ S.B. 236, Utah Leg. (2007) (available at <http://le.utah.gov/~2007/bills/sbillenr/sb0236.htm>).
² *Id.*
³ *Id.*
⁴ See <http://www.le.state.ut.us/~2007/status/sbillsta/SB0236.htm> (status report).
⁵ Freedom and Innovation Revitalizing U.S. Entrepreneurship (“FAIR USE”) Act of 2007, H.R. 1201, 110th Cong., 1st Sess. (available at <http://thomas.loc.gov/cgi-bin/query/z?c110:h.r.1201>).
⁶ 17 U.S.C. § 1201. This section states, in relevant part, that “no person shall circumvent a technological measure that effectively controls access to a work protected under this title.”
⁷ *MGM v. Grokster*, 545 U.S. 913 (2005).
⁸ *Id.* at 913.
⁹ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).
¹⁰ 71 Fed. Reg. 68,472 (2006) (available at <http://a257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/pdf/E6-20029.pdf>).

¹¹ *Live Nation Motor Sports v. Tripleclamps*, No. 3:06-CV-276-L, Memorandum Opinion and Order (N.D. Tex., Dallas Division, entered Dec. 12, 2006).
¹² *Id.* at 7.
¹³ *J.G. Wentworth, S.S.C. v. Settlement Funding LLC*, No. 06-0597, Memorandum Opinion (E.D. Pa. Jan. 4, 2007).
¹⁴ *Id.* at 15.
¹⁵ *Id.* at 11 (emphasis added).
¹⁶ *Id.* at 15.
¹⁷ *Perfect 10 v. Google*, Nos. 06-55405, 06-55406, 06-55425, 06-55759, 06-55854 and 06-55877, Opinion (9th Cir. May 16, 2007).
¹⁸ *Perfect 10 v. Google*, No. CV 04-9484 AHM (SHx), Order Granting in Part and Denying in Part Perfect 10’s Motion for Preliminary Injunction Against Google (C. D. Cal. Feb. 17, 2006).
¹⁹ *Perfect 10 v. Google*, Nos. 06-55405, 06-55406, 06-55425, 06-55759, 06-55854 and 06-55877, Opinion at 5779 (9th Cir. May 16, 2007).
²⁰ *Id.*
²¹ *Id.* at 5778-79; 17 U.S.C. § 107.
²² 47 U.S.C. § 230.
²³ *Barrett v. Rosenthal*, No. S122953, Opinion (Cal. Supreme Court Nov. 20, 2006).
²⁴ *Id.* at 2
²⁵ *Perfect 10 v. CCBill*, No. 04-57143, Opinion ((9th Cir. Mar. 29, 2007).
²⁶ *Gucci Am., Inc. v. Hall & Assocs.*, 135 F. Supp. 2d 409, 413 (S.D.N.Y. 2001) (quoting 47 U.S.C. Section 230(e)(2)).
²⁷ No. 06-2540, Memorandum Opinion (E.D. Pa. Mar. 28, 2007).
²⁸ *Id.* at 15 (citations omitted).
²⁹ MMORPG is an acronym for “Massively Multiplayer Online Role-Playing Game.”
³⁰ Ward, Fantasy Life, Real Law, ABA JOURNAL, March 2007, at 42.

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TREATMENT OF INTELLECTUAL PROPERTY LICENSES IN BANKRUPTCY

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The filing of a bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code can mean life or death to the business of a debtor who holds rights as a licensee under a non-exclusive license of intellectual property. In the Ninth Circuit, unless the licensor consents to continued use of the license, the licensee's prognosis is not good. However, as discussed below, a creative (or lucky) debtor may be able to avoid this fate if the license is deemed to "ride through" the bankruptcy proceedings.

DEBTOR BECOMES DEBTOR IN POSSESSION

In Chapter 11, a debtor becomes a "debtor in possession." This signifies more than the addition of a prepositional phrase. In the Ninth Circuit, a debtor in possession's ability to assume, or continue to perform and enjoy the benefits under, a license as a licensee depends on the consent of the licensor. Had the debtor never filed for bankruptcy, the licensor would have not been able to prevent the debtor from continuing to enjoy the license. Perhaps surprisingly, though, Chapter 11 actually gives the licensor a leg up on the debtor who simply wants to keep using the intellectual property during bankruptcy proceedings.

Upon the filing of a Chapter 11 petition, a license becomes "property of the estate" under Section 541(a) of the Bankruptcy Code.¹ This means that the license becomes subject to the protection of the automatic stay of Section 362(a) of the Bankruptcy Code.² To the benefit of a licensee, a licensor trying to terminate the license will be held at bay, at least temporarily, notwithstanding the fact that the license may contain an *ipso facto* clause permitting termination in the event of bankruptcy.

Thus, termination of the license while the bankruptcy is pending requires relief from the automatic stay, which may be granted by the Bankruptcy Court, after notice and hearing. The licensor must demonstrate "cause" for this relief;³ the existence of an *ipso facto* clause alone will not be sufficient cause. Alternatively, the Bankruptcy Court must otherwise find that the debtor has no equity in the license and that it is not necessary to an effective reorganization.⁴ The automatic stay may also dissolve by operation of law after occurrence of certain other events, such as abandonment of the rights by the debtor in possession, confirmation of a plan, closure or dismissal of the case, or discharge of the debtor.⁵

The filing of a Chapter 11 bankruptcy petition changes the status of a debtor in significant ways. The "debtor in possession" is still the debtor, but something other than it was the moment before the petition was filed. In particular, the debtor in possession takes on certain rights and powers and performs the functions of a trustee, whose role is to serve as the representative of the estate. In such capacity, the debtor in possession's operation of the debtor's business is now also subject to the limitations imposed by the Bankruptcy Code.⁶

LIMITATIONS ON ASSUMPTION OR ASSIGNMENT OF EXECUTORY CONTRACTS

Statutory limitations apply in bankruptcy to the treatment of non-exclusive licenses of intellectual property. Such a license is a unique kind of property, an "executory contract," which is governed to a great degree by Section 365 of the Bankruptcy Code, which defines the power of a trustee to assume, assume and assign, or reject executory contracts.⁷ This is true whether the debtor is a licensee or licensor.

In general, the assumption of an executory contract requires cure of defaults and a showing that future performance is adequately assured.⁸ Assumption binds the debtor in possession to all of the obligations of the license going forward. It allows the debtor in possession to overlook the

fact that it is in bankruptcy and overcome the application of an *ipso facto* clause.⁹

To assign an executory contract, the debtor in possession must meet the requirements for assumption, as well as adequately assure that the proposed assignee will be able to perform. Assignment frees the debtor in possession from future obligations by creating a novation of the executory contract between the non-debtor party and a third-party assignee.¹⁰

Where a non-exclusive license of intellectual property is concerned, it is not just economic obligations that must be satisfied. The right of a trustee to assume or assign such a license is further restricted by the consent of the licensor. "The trustee may not assume or assign any executory contract ... of the debtor, whether or not such contract ... prohibits or restricts assignment of rights or delegation of duties, if (1)(A) applicable law excuses a party, other than the debtor, to such contract from accepting performance from or rendering performance to an entity other than the debtor or the debtor in possession, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties; and (B) such party does not consent to such assumption or assignment..."¹¹

In the Ninth Circuit, non-exclusive licenses of copyrights and patents are inherently non-assignable without the consent of the licensor.¹² Trademark licenses have also been held by at least one lower court in the Ninth Circuit to be non-assignable.¹³

Guided by the statutory language of Section 365(c), the Ninth Circuit follows what is known as the "hypothetical" test in determining whether these licenses can be assumed. Hypothetically, the licensor could withhold its consent and prohibit assignment to a party other than the debtor or debtor in possession; thus, the licensor can prohibit the debtor in possession from assuming *or* assigning the license. The bottom line is that the licensor controls whether the debtor in possession can continue with the license that the licensor entered into with the very same debtor pre-petition, even if the debtor in possession does not actually intend to assign the license to a third party. This test applies not just in the Ninth Circuit, but also the Third, Fourth, and Eleventh Circuits.

The First Circuit and a smattering of other lower courts do not follow the "hypothetical" test, but rather the "actual" test, which is based on whether the license is actually going to be assigned to a third party.¹⁴ This approach has been criticized as contrary to the plain language of the Bankruptcy Code. However, by parsing the statutory language in greater detail than even the courts following the "hypothetical" test, the United States Bankruptcy Court for the Southern District of New York has also found that a debtor in possession is sufficiently distinct from the trustee (and therefore not subject to the same limitations) that consent to assumption would not be required where the debtor in possession did not intend to assign the license to a third party, but rather to retain the license.¹⁵

If the debtor in possession cannot assume or assign the license, then the only alternative expressly mentioned is its rejection.¹⁶ Rejection constitutes a breach of contract.¹⁷ The typical reaction of a licensor to rejection will be to terminate the license. This is not ideal for the debtor whose business plans – and basic day-to-day functions – depend on the use of licensed patents or copyrighted software.

CAN AN EXECUTORY CONTRACT "RIDE THROUGH" BANKRUPTCY?

In the Ninth Circuit, how can a creative debtor in possession attempt to hold on to its rights as a licensee in the face of an uncooperative licensor? The answer may be rooted in the discretionary aspect of Section 365(a): The trustee or debtor in possession *may* assume or reject any executory contract, as long as it is done before confirmation of a plan. The only circumstance under which the debtor in possession would be compelled to determine whether to assume or reject the executory contract is where the other party to the contract succeeds in asking the Bankruptcy Court to order a determination by a particular date.¹⁸

What if the debtor in possession does not assume or reject? Recently, in the case of *In re JZ, LLC*, 357 B.R. 816 (Bankr. D. Idaho 2006), the United States Bankruptcy Court for the District of Idaho appeared to bless the concept of "ride through" as an implicit alternative to assumption or rejection. Although the opinion analyzed "ride through" in the context of a license under which the debtor was the licensor rather than the licensee, it may be possible to apply the concept to either situation. Either way, the license is an executory contract.

In *JZ*, the debtor in possession failed to assume or reject—or even formally disclose as an executory contract—a patent license under which the debtor was the licensor. After confirmation of the debtor's Chapter 11 plan and closure of its bankruptcy case, the debtor filed suit against the licensee in state court for a declaratory judgment that the license was still in effect and for damages arising from the licensee's violation of its terms by seeking to manufacture using a design other than the one licensed from the debtor. As a result of the state court's comment that the bankruptcy court should rule on bankruptcy issues, the debtor then moved to reopen the bankruptcy case and asked the bankruptcy court to determine that the license "rode through" the bankruptcy case.

The *JZ* court held that the failure to assume or reject the license, an executory contract, did not result in an automatic assumption or rejection of the license, but rather the license "rode through" the bankruptcy. It observed that the principle of ride through had long been endorsed by the Ninth Circuit.¹⁹

Factors figuring into the *JZ* court's decision were, among others, (1) by operation of Section 1141(b) of the Bankruptcy Code, all property of the estate, including the license, vested in the debtor upon confirmation of its plan, (2) the licensee knew of the existence of the license and the bankruptcy case, but did not seek to force its disclosure or impose a deadline for assumption or rejection, and, (3) the debtor did not intentionally conceal the license's existence.²⁰

Based on the legal discussion and the facts of *JZ*, the bankruptcy court held that ride through had occurred. The license was thus unaffected by the bankruptcy, and the rights of both parties were undisturbed. The debtor-licensor was free to pursue its lawsuit in state court based on the license.²¹

SPECIAL RIGHTS OF A LICENSEE UPON REJECTION WHERE THE DEBTOR IS LICENSOR

The *JZ* court did not discuss what effect might have been caused by the rejection of the license by the debtor-licensor. There is actually special protection for licensees of intellectual property whose executory contracts are rejected by debtor-licensors. Under Section 365(n) of the Bankruptcy Code, the non-debtor licensee can treat the license as terminated or retain its license rights for the duration of the contract and any applicable extensions.²² In the latter scenario, the non-debtor licensee must make all royalty payments and waive claims and offset rights for prior non-performance.²³ The debtor's obligations to provide maintenance, technology updates, or other obligations, however, are unenforceable.²⁴

Presumably, the non-debtor licensee in *JZ* would have sought rejection and elected termination of the license if it had the chance to do it all

over again. One can only speculate why the licensee did not seek a determination of assumption or rejection prior to plan confirmation. Its failure to do so turned out to be a serious mistake. The *JZ* opinion indicates that the licensee never actually used the patent or paid a royalty to the debtor-licensor and eventually proposed termination of the license, along with a buyout of a non-compete contained in the contract.²⁵ It was only once the licensee starting using another technology that the debtor brought a claim against the licensee for violation of the contract.²⁶

RIDE THROUGH IS UNCERTAIN AND NOT A CURE-ALL

Whether the concept of ride through would hold up in an Idaho case, and what its effect would be if the debtor were the licensee, is uncertain. The concept appears to have an equitable tinge to it, given the bankruptcy court's reference to its decision being based on the particular facts in the *JZ* case.

Even if ride through were deemed to occur in the case of a debtor-licensee, it would probably not magically cure any defaults. Only an assumption could do that. Ride through simply preserves the rights of the parties. If, for example, a debtor-licensee confirmed a plan without assumption or rejection, but never made up for outstanding royalty payments, the licensor would probably be entitled to assert whatever rights it had as a result of such default (e.g., termination).

The *JZ* court did not mention whether the license in that case contained an *ipso facto* clause, permitting termination or modification of a contract as a result of bankruptcy. The unenforceability of such a clause is only applicable so long as assumption or rejection is relevant.²⁷ But for the existence of the automatic stay, Section 365(e)'s prohibition is not technically applicable to a license of intellectual property in any event. After confirmation of a plan, in the absence of assumption of the executory contract and after dissolution of the automatic stay, there should nothing in bankruptcy law that could prevent the licensor from enforcing its rights predicated on an *ipso facto* clause.

CONCLUSION

Debtor-licensees who rely heavily on their licenses of intellectual property should pay special attention to where they file their bankruptcy petitions. If they choose Idaho or any other jurisdiction in the Ninth Circuit, such debtors should carefully consider the inclination of their licensors to cooperate. Whether as licensor or licensee, a debtor should be careful to properly disclose its licenses, timely decide whether to assume or reject them, and not count on the equitable considerations inherent in the concept of "ride through."

ABOUT THE AUTHOR

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ENDNOTES

¹ Title 11 U.S.C. § 541(a).

² See *id.* § 362(a).

³ See *id.* § 362(d)(1).

⁴ See *id.* § 362(d)(2).

⁵ See *id.* § 362(c).

⁶ See *id.* §§ 1107(a), 1108.

⁷ See generally 11 U.S.C. § 365. Note that *exclusive* licenses are generally *not* executory contracts. See *In re Golden Books Family Entert.*, 269 B.R. 300 (Bankr. D. Del. 2001).

⁸ See 11 U.S.C. § 365(b).

⁹ See *id.* § 365(e)(2)(A).

¹⁰ See *id.* § 365(f), (k).

¹¹ See *id.* § 365(c).

¹² *Harris v. Emus Records Corp.*, 734 F.2d 1329 (9th Cir. 1984) (citing patent cases by analogy); *Everex Systems, Inc. v. Cadtrax Corp. (In re CFLC, Inc.)*, 89 F.3d 673 (9th Cir. 1996) (non-exclusive pre-paid patent license not assignable in bankruptcy); *In re Catapult Entert.*, 165 F.3d 747, 749-50 (9th Cir. 1999) (non-exclusive patent license).

¹³ See *In re N.C.P. Marketing Group, Inc.*, 337 B.R. 230, 234-37 (D. Nev. 2005).

¹⁴ *Institut Pasteur v. Cambridge Biotech Corp.*, 104 F.3d 489, 493-94 (1st Cir. 1997).

¹⁵ *In re Footstar, Inc.*, 323 B.R. 566 (Bankr. S.D.N.Y. 2005).

¹⁶ See 11 U.S.C. § 365(a).

¹⁷ See *id.* § 365(g).

¹⁸ See *id.* § 365(d)(2).

¹⁹ See *id.* at 820-21 (citing *Smith v. Hill*, 317 F.2d 539, 543 n.6 (9th Cir. 1963)).

²⁰ See *In re JZ, LLC*, 357 B.R. 816, 822 & n.18 (Bankr. D. Idaho 2006).

²¹ See *id.* at 823.

²² See 11 U.S.C. § 365(n).

²³ See *In re Prize Frize, Inc.*, 32 F.3d 426 (9th Cir. 1994).

²⁴ It is interesting to note the definition of intellectual property for the purposes of Section 365(n) expressly does not include trademarks. See 11 U.S.C. § 101(35A).

²⁵ See 357 B.R. at 818-19.

²⁶ See *id.* at 820.

²⁷ See 11 U.S.C. § 365(e)(2)(A).

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PATENT LITIGATION IN THE U.S. DISTRICT OF IDAHO

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Over the last 20 years, both the number of patents issued and the number of patent cases filed have risen dramatically in the United States. Idaho continues to rank first among the states in patents per capita, but the number of patent cases filed in the District of Idaho has declined significantly since 2004. This article considers the import and causes of this deviation and explores potential responses to current trends in patent cases.

JURISDICTION AND VENUE IN PATENT LITIGATION

Federal courts enjoy original jurisdiction over civil actions “arising under any Act of Congress relating to patents, ... copyrights and trademarks.”¹ In patent and copyright cases, the jurisdiction is exclusive.² In patent cases, courts take a broad view of personal jurisdiction, holding that a party who places a product into the stream of commerce knowing it is likely to reach a particular locale is subject to personal jurisdiction there.³

As to venue, patent infringement cases may be brought in any judicial district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business.⁴ In such cases, a corporation is deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time an action is commenced.⁵ A defendant is also deemed to have a regular and established place of business wherever it does business “through a permanent and continuous presence.”⁶ Thus, as a practical matter, patent infringement cases can be filed against a corporate defendant virtually anywhere a patent has been infringed.

THE SELECTION OF VENUE IN PATENT CASES

In recent years, the tactical use of broad venue rules by patent holders has given rise to charges of rampant “forum shopping” and calls for legislative reform.

Of course, a defendant sued in a particular venue may seek to transfer the venue of the action.⁷ However, the likelihood of success on any given motion to transfer is uncertain,⁸ and filing such a motion assumes the availability of a more desirable venue.

When a preferred venue is available, defendants can (and often do) seek to control the initial selection of venue. In particular, if an “actual controversy” exists, the defendant may invoke the Declaratory Judgment Act by filing a declaratory judgment action seeking a declaration of non-infringement or invalidity of the patent(s) at issue.⁹ Under recent precedent from the U.S. Supreme Court and the Federal Circuit Court of Appeals, the availability of declaratory judgment remedies in patent cases is clearly increasing.¹⁰

DOES CHOICE OF VENUE MAKE A DIFFERENCE?

Studies show that choice of forum does, in fact, play a critical role in the outcome of patent litigation.¹¹ In one large-scale empirical analysis of every patent case terminated from 1995 to 1999, professor (now judge) Kimberly A. Moore found procedural and substantive differences in the adjudication of patent cases by venue.¹² Studies have also found significant differences, by venue, in the speed to disposition and winning percentages by patentees in patent infringement litigation.¹³ In general, these empirical studies are consistent with the conventional wisdom among lawyers, namely that, to a point, factors such as venue, jury pools, regional biases, and a “home court” advantage can have a significant impact on outcomes in civil litigation.

TRENDS IN U.S. PATENT CASE FILINGS

During the 1990s, the number of patent cases filed in the United States doubled to more than 2,000 suits in 2000.¹⁴ For the 12 months

ended September 30, 2006 (FY 2006), the number of patent cases filed was 2,830.¹⁵ More than 50% (1,436) of those cases were filed in just ten judicial districts.¹⁶ In FY 2001, those same ten districts accounted for 1,144 (or 45%) of the 2,520 patent cases filed in the United States.¹⁷

These statistics show a continuing concentration of patent infringement litigation, but they also show interesting trends in particular districts.¹⁸ For example, while U.S. patent cases generally increased by 12% from FY 2001 to FY 2006, the new filings in a handful of judicial districts grew significantly more, including increases of 150% in the District of Nevada and 53% in the District of Utah.¹⁹ Most notably, in the sparsely populated Eastern District of Texas, patent cases grew by 700% between FY 2001 and FY 2006.²⁰

RECENT HISTORY OF PATENT LITIGATION IN IDAHO

In the District of Idaho, the trend in recent years has been different. Following a relatively steady increase in patent cases filed through FY 2004, only one case was filed in the District of Idaho during FY 2005 and FY 2006, placing Idaho in the bottom ten of the 94 federal judicial districts for patent cases filed during those two fiscal years.²¹

To be sure, 75 patent cases have been filed in the District of Idaho since 1990.²² Between 1990 and 1996, approximately three cases were filed in each calendar year—increasing to 6.5 cases per year between 1997 and 2004.²³ Since January 1, 2005, however, only four patent cases have been filed in the District of Idaho—even as Idaho maintained its top rank among the fifty states in patents issued per capita.²⁴

THE FUTURE OF PATENT LITIGATION IN IDAHO

In evaluating the import of the foregoing trends to the District of Idaho, it is instructive to examine the circumstances generally considered in selecting a venue.

The factors considered by courts and litigants in analyzing the convenience of a choice of venue include, in part, the location of witnesses and parties, the costs of obtaining the attendance of witnesses, and the accessibility and location of proof.²⁵ In a patent case, these factors should generally weigh in favor of the judicial district where the defendant resides, since that is where one would expect to find proof of any infringement. For an Idaho company, selecting the District of Idaho as a venue would also be consistent with considerations relating to jury pools, potential regional biases, and any “home court” advantages or disadvantages.

Litigants may also consider other factors in selecting a venue, including: (i) a court and/or judge’s experience in handling patent cases, (ii) comparative winning percentages, (iii) the existence of any patent local rules, and (iv) speed to disposition. The first of these factors may be deemed to weigh in favor of judicial districts with a high volume of patent litigation. However, depending on the venue, the benefit of judicial expertise may come at the expense of significant increases in litigation costs and/or an unfavorable trade-off in the relevant winning percentage for a particular venue.²⁶ The federal judges in the District of Idaho, in any event, have significant experience in handling patent cases.²⁷

The two remaining factors, patent local rules and speed to disposition, may in fact be related. The timely resolution of a patent case is, of course, critical to any party seeking to mitigate the uncertainty and costs of protracted litigation. Specialized “patent local rules,” in turn, promise certainty with respect to timing and procedures to be followed in patent litigation. Typical patent local rules include expedited timelines, a framework for initial discovery, and procedures for construing patent claims and defining allegations of infringement.

To date, at least seven judicial districts have adopted local patent rules.²⁸ Some of these districts, like the Eastern District of Texas, have experienced a dramatic increase in patent cases after adopting patent local rules.²⁹ In other districts, like the Western District of Pennsylvania, patent filings remained flat after patent local rules were adopted.³⁰ In each case, however, it may be said that (a) patent local rules are perceived to result in a much quicker disposition of patent cases, and (b) the perception of a venue as “patent friendly” is a significant factor in attracting patent filings to particular jurisdictions.³¹

CONCLUSION

The number of patent cases filed in the District of Idaho has declined significantly in recent years, even as neighboring jurisdictions (like Utah and Nevada) have experienced increases. This trend is inconsistent with Idaho’s top national rank in issued patents per capita.

The number of patent cases filed in the District of Idaho may increase with the expanded availability of declaratory judgment remedies, or as a result of any patent reform legislation. In order to attract a meaningful share of patent cases, however, the District of Idaho will probably need to take steps to be perceived as a “patent friendly” jurisdiction. These steps could include the adoption of patent local rules and/or the formation of an advisory committee to consider and address the needs of patent litigants in the District of Idaho.

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ENDNOTES

¹ 28 U.S.C. § 1338(a).

² *Id.*

³ See, e.g., *Beverly Hills Fan v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994).

⁴ 28 U.S.C. § 1400(b).

⁵ 28 U.S.C. § 1391(c); *VE Holdings Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990), *cert denied*, 499 U.S. 922 (1991).

⁶ *Warner & Swasey Co. v. Salvagnini Transferica S.p.A.*, 806 F.2d 1045 (Fed. Cir. 1986) (need not be a fixed physical presence).

⁷ See 28 U.S.C. § 1404(a) (for the convenience of the parties even if initial venue was proper); 28 U.S.C. § 1406(a) (case transferred or dismissed if the initially-designated venue was legally improper).

⁸ See Ryan Loveless, *How to Evaluate and Select Venue to Gain a Strategic Advantage in Patent Litigation*, Baker Botts IP Report, Issue No. 52, September 2005 (“Loveless, How to Evaluate and Select Venue”). In selected districts, between 1996 and 2003, the median rate of cases transferred to another district was approximately 5%. *Id.* These statistics do not predict the likelihood of success of a transfer motion, but they may generally indicate the propensity of a particular jurisdiction to transfer cases. *Id.*

⁹ 28 U.S.C. § 2201(a). See also Matthew D. Thyne, *Patent Infringement Cease-and-Desist Letters*, Intellectual Property Today, June 2005 (analyzing tension between need for “actual notice” in cease and desist letters and creating “actual controversy” for purposes of the Declaratory Judgment Act).

¹⁰ *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. ___, 127 S.Ct. 764 (2007) (patent licensee not required to terminate its license agreement before seeking a declaratory judgment); *SanDisk Corp. v. STMicroelectronics, Inc.*, No. 05-1300, 2007 WL 881008 (Fed. Cir.

Mar. 26, 2007) (broadening range of conduct supporting an action for declaratory judgment); *Teva Pharm. USA Inc. v. Novartis Pharm. Corp.*, No. 06-1181, 2007 WL 942201 (Fed. Cir. Mar. 30, 2007) (acknowledging that dicta in *MedImmune* effectively overruled “reasonable apprehension” test and adopting the “all the circumstances” test).

¹¹ Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 79 N.C. L. Rev. 889 (2001) (Moore, “Forum Shopping in Patent Cases”); Loveless, *How to Evaluate and Select Venue*, *supra*.

¹² *Id.*

¹³ Moore, *Forum Shopping in Patent Cases*, *supra*, at 916 (in patent cases tried in selected venues from 1983-1999, winning percentage for plaintiffs ranged from 68% in the Northern District of California to 30% in the District of Massachusetts); Loveless, *How to Evaluate and Select Venue*, *supra* (in selected venues from 1996-2003, average time to disposition ranged from 180 days in the Eastern District of Virginia to 505 days in the Northern District of California). According to Bloomberg, three of the top 10 patent verdicts in 2006 came in suits filed in Eastern District of Texas. *Rambus, TiVo Awards Push Patent Damages to \$1 Billion*, Jan. 3, 2007 (available at www.bloomberg.com, search: “patent awards 2006”).

¹⁴ See James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 Lewis & Clark. L. Rev. 1 (2005), at 2-3.

¹⁵ Annual Report of the Director, Judicial Business of The United States Courts (2006) (available at <http://www.uscourts.gov/judbus2006/contents.html>) (Table C2-A & Table S-23).

¹⁶ In fiscal year 2006, by rank order, the top 10 districts for patent filings were the Central District of California (281), Eastern District of Texas (216), Northern District of California (161), District of New Jersey (142), District of Delaware (139), Northern District of Illinois (138), Southern District of New York (135), District of Massachusetts (80), Northern District of Georgia (76), and Southern District of Florida (68). *Id.* (Table S-23).

¹⁷ Annual Report of the Director, Judicial Business of The United States Courts (2001) (available at <http://www.uscourts.gov/judbus2001/contents.html>) (Table C2-A).

¹⁸ See Annual Report of the Director, Judicial Business of The United States Courts (2001-2006) (available at <http://www.uscourts.gov/judbus/judbus.html>) (various tables); see also Roderick R. McKelvie, *Forum Selection in Patent Litigation: A Traffic Report for 2006* (May 2007) (available at <http://www.cov.com>, search: “forum selection in patent litigation”) (“McKelvie, *Forum Selection*”).

¹⁹ *Id.*

²⁰ *Id.* (also showing an increase of 58% in patent cases filed in the Northern District of Georgia).

²¹ See McKelvie, *Forum Selection*, at 14-17 (ranking Idaho just ahead of the District of Guam).

²² The data regarding patent case filings in the District of Idaho, including individual cases, is available through authorized access to PACER, at <http://pacer.psc.uscourts.gov/> or <https://ecf.idd.uscourts.gov>.

²³ *Id.*

²⁴ See <https://ecf.idd.uscourts.gov> (last accessed on June 1, 2007). Idaho ranked first in patents per capita for 2005 and for the period of 1985-2005. See <http://www.stats.indiana.edu/sip/> (select “Idaho”).

²⁵ See, e.g., *Mohamed v. Mazda Motor Corp.*, 90 F.Supp.2d 757, 771 (E.D. Tex. 2000).

²⁶ See, e.g., note 13, *supra* (for 1983-1999, top winning percentage for plaintiffs was 68% in the Northern District of California); Peter Zura, *PWC Survey Updates Patent Litigation Statistics* (March 2, 2007)

(available at <http://271patent.blogspot.com/2007/03>) (The most "plaintiff-friendly" jurisdiction is the Western District of Wisconsin, with a recent win rate of 63% and 91% after summary judgment. The "lowest" win rate for plaintiffs is in the Eastern District of Michigan - 12% overall and 33% after summary judgment); *Rambus, TiVo Awards Push Patent Damages to \$1 Billion*, Jan. 3, 2007 (available at www.bloomberg.com, search: "patent awards 2006") (claiming that, since 1994, inventors and other patent owners have won jury verdicts "90 percent of the time" in the Eastern District of Texas).

²⁷ Since 1995, Chief District Judge B. Lynn Winmill has presided over 33 patent cases and District Judge Edward J. Lodge has presided over an additional 13 patent cases. Chief Magistrate Judge Larry M. Boyle and Magistrate Judge Mikel H. Williams have presided over 10 other patent cases since 1994. See <https://ecf.idd.uscourts.gov> (last accessed on June 1, 2007).

²⁸ See <http://www.abanet.org/litigation/committees/intellectual/links.html> (links to patent local rules for the Northern District of California, Eastern District of Texas, Western District of Pennsylvania, and Northern District of Georgia); George F. Pappas & Robert G. Sterne, *Patent Litigation in the Eastern District of Virginia*, 35 IDEA: The Journal of Law and Technology, Issue No. 4 (1995); *California Southern District Court - New Patent Local Rules* (July 1, 2006) (<http://www.smartrules.com/update>); *Northern District of Texas Issues Local Patent Rules* (May 8, 2007) (<http://blawg.scottandscottllp.com/businessandtechnology-law/2007/05>). At least twelve other judicial districts have single rules or general or standing orders related to patents. See <http://www.nyi-pla.org> (link to "IP Links" then "IP Court Links") (compilation of patent local rules and orders, with links).

²⁹ See Alfonso Garcia Chan, *Proposed Patent Local Rules for Adoption by Texas' Federal District Courts*, Computer Law Review

and Technology Journal, Vol. VII, No. 2 (Winter 2003) (available at <http://www.smu.edu/csr>). Patent cases increased from 35 in 2001 (when rules were first promulgated by District Judge T. John Ward) to 216 in 2005. See *id.*, at 150-51; McKelvie, *Forum Selection*, at 2.

³⁰ McKelvie, *Forum Selection*, at 8, 15 (ranked 35th, with 22 case filings, in FY 2006).

³¹ See *id.*, at 8.



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THE NINTH CIRCUIT'S DUTY TO PRESERVE ELECTRONIC DATA

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The nearly universal use of computers to create, manage, and store information has important implications for intellectual property litigators and those who counsel clients regarding the preservation of electronic data. This article is intended as an overview of developing Ninth Circuit case law regarding the duty to preserve electronic evidence and remedies for the failure to preserve such evidence.

For those who practice primarily in Idaho state courts, where there are few cases regarding the duty to preserve evidence, an action in federal court presents special challenges, especially in cases involving large amounts of electronic data. Those who have litigated large cases involving emails between multiple authors over a long period of time are familiar with the difficulties in identifying and recovering electronic data.

The preservation of electronic data can be a double-edged sword, on many levels. The preservation of data can be costly, and it can be technologically difficult to identify all potentially relevant data for production in litigation. Consequently, many clients "push back" when asked to preserve and/or identify data. When the burden is significant, parties often become embroiled in disputes over who will pay for this type of discovery, which in larger cases can cost hundreds of thousands of dollars. The stakes are often high, and electronic data—such as a smoking gun email—can provide important evidentiary help to an adversary. On the other hand, electronic data can provide a client involved in litigation important evidentiary support for a defense. Emails, for example, can help witnesses remember conversations that occurred years ago.

WHEN IS THE DUTY TO PRESERVE TRIGGERED?

In the Ninth Circuit, as soon as a potential claim is identified, a litigant is under a duty to preserve evidence which it knows or reasonably should know is relevant to the action.¹ The duty to preserve documents attaches "when a party should have known that the evidence may be relevant to future litigation."² The future litigation must be "probable" and "more than a possibility."³

At times, determining when the duty to preserve electronic data arises is straightforward. For example, a lawyer may send a party a letter threatening litigation and/or demanding the preservation of evidence prior to commencing litigation.

In other cases, the issues may be more clouded. For example, a party that has been subpoenaed for a 30(b)(6) or other type of deposition may simply suspect that it will be dragged into litigation via a third party complaint. Internally discussing the possibility of litigation or even consulting counsel are probably not enough to trigger the duty to preserve (recall that the future litigation must be "probable" and not a mere "possibility"), but an outright threat of litigation by an opponent is not required to trigger the duty.

Thus, whether future litigation is "probable" or a mere "possibility" will depend on the facts of an individual case, making this a fertile area for litigation.

It is fair to say, however, that the standard is vague enough that an opposing party can use a perceived failure to preserve data as a weapon in litigation. This is particularly so considering the severity of the remedies for failing to preserve evidence, running from exclusion of evidence, to exclusion of claims, to default.⁴ While the standard for obtaining these remedies is relatively high, as the more draconian remedies require a showing of willfulness, the risk of an opposing party using a failure to preserve evidence offensively is significant.

PERILS INHERENT IN THE DUTY TO PRESERVE

In re Napster, a recent decision issued in the Northern District of California, illustrates some of the perils inherent in the duty to preserve. In this case, plaintiffs accused Hummer—one of four major investors in Napster, a popular file sharing network involved in copyright litigation—of deleting an unknown, but large, number of emails regarding its dealings with Napster. After Hummer executives were subpoenaed in the Napster action, another Hummer executive sent out an email explicitly reminding all employees that its document retention policy forbade the storing of any emails or printing out of hardcopies of emails. Eventually, two and a half years later, an action was filed against Hummer directly. Two years after that, discovery was requested from Hummer. Eventually, when Hummer produced very few emails related to Napster, plaintiffs accused Hummer of willful destruction of evidence and spoliation.

Early in the litigation, before plaintiffs sued Hummer, the Hummer firm had learned that it had documents relevant to the Napster litigation. According to the district court, however, this was not enough to find that the duty to preserve was triggered,⁵ because this knowledge alone did not suggest that Hummer should have anticipated litigation against it. Additionally, neither the fact that plaintiffs subpoenaed Hummer nor Hummer's retention of counsel to assist it with Napster-related issues created a reasonable expectation it would be named as a defendant. Additionally, a common defense agreement between Hummer and Napster did not trigger the duty, as Hummer entered into the agreement out of its interests in seeing Napster succeed in the litigation based upon Hummer's multi-million dollar investment in Napster.⁶

However, the *In re Napster* court ruled that Hummer's duty to preserve was triggered when Universal Music Corp. told John Hummer it would sue Hummer if it did not instantaneously comply with an injunction entered against Napster. Because of the ongoing litigation involving Napster and the threat to sue, the district court found that Hummer's duty to preserve attached when it received the letter threatening litigation.

Once the duty to preserve was triggered, the district court found Hummer had to take affirmative steps to cease internal policies and protocols that would result in the destruction of evidence, and to preserve all relevant documents related to the litigation.⁷ Hummer failed to place a litigation hold on its destruction protocols, which resulted in the destruction of relevant emails. For the district court, this was sufficient to find Hummer grossly negligent.⁸

The district court also found that Hummer's gross negligence supported an "adverse inference" instruction to the jury. While the district court did not discuss the wording of the instruction, such instructions typically inform the jury that it can infer that the information destroyed by a party was prejudicial to that party's case.

Additionally, the *In re Napster* court ruled that plaintiffs had shown sufficient evidence to warrant precluding Hummer from introducing certain classes of exculpatory evidence involving emails at trial, noting, however, that the scope of preclusion would have to wait until trial.

Finally, the district court awarded plaintiffs attorney fees in an amount to be determined, noting that Hummer could have saved the parties and court a great deal of time and money had it simply told everyone initially that it was not preserving Napster-related emails.

AN APPROACH TO PRESERVING ELECTRONIC DATA

In light of *In re Napster* and the cases upon which it relies, once a party recognizes the probability of litigation, it should take the following steps with respect to its electronic data:

- Identify documents relevant to the litigation, such as emails, electronic calendars, spreadsheets, pdf files, and more specialized electronic data.
- Identify storage devices potentially holding documents relevant to the litigation, e.g., mainframe hard drives, cd-roms, magnetic tape backup, individual pc hard drives, and thumb drives.
- Terminate automatic email deletion, or other automatic deletions of electronic data (i.e., implement a “litigation hold”).
- Notify employees of the obligation to preserve discoverable materials.
- Forbid the destruction of potentially relevant documents without prior approval.⁹

These steps obviously require counsel to be proactive and to understand a client’s document retention policies and procedures. It is also critical to identify those employees, such as IT staff, with responsibility for implementing and understanding these policies and procedures.

Those experienced in identifying and preserving electronic data in litigation will recognize the potential gap between what the law requires and actual practice. It is safe to say that full compliance with the Ninth Circuit rules of preservation is probably—in larger cases—impossible. For example, even mid-sized law firms generate many hundreds to thousands of emails daily. A party under a duty to preserve must identify each employee potentially involved in discussions relevant to litigation, and then either manually review each employee’s emails for relevance, or do a computer search for relevant emails. This process is typically complicated enough to require involving a forensic computer specialist in the search.

Frequently, due to the large amount of emails in such a hypothetical situation, a party will fail to produce “all” relevant emails. Because emails are available from other sources—such as a recipient—an opposing party in litigation that discovers an opposing party has failed to produce a significant number of emails can potentially use this omission to seek sanctions,¹⁰ or use the failure to produce evidence to attack the opposing party at trial. Because failing to identify and produce “all” discoverable electronic data is probably unavoidable, the need for thoroughly documented search protocols is clear. If allegedly missing emails or other electronic information become an issue, a party can at least show a court the protocols it implemented to comply with its discovery obligations in good faith.

The issue of communicating discovery obligations to employees can also present difficulties. The most important step is simply to do it, even if some employees may not understand their obligations and others may not care. Most state and federal courts are well aware of the ability of most companies to communicate internally via email, and more than one court has ordered a party in a discovery dispute to send out emails to its employees to attempt to locate information.

A party that does not proactively communicate with its employees to identify employee discovery obligations and search for information may find itself ordered to do so. While employee response to such emails is a different topic, it is crucial for a company to make the communication and follow up to ensure compliance. Again, all efforts to comply with the preservation guidelines should be documented so a party can show its good faith efforts to comply with its duty to preserve.

Taking these various steps before litigation can be helpful in speeding along a federal case, particularly considering the potentially onerous burden of the federal initial disclosures. The United States District Court Rules for the District of Idaho require compliance with Federal Rule of

Civil Procedure 26(a)(1). Rule 26(a)(1)(B) requires production – without awaiting a discovery request – of a copy or description by category and location of all documents, data compilations, and tangible things in the possession, custody or control of the party that the disclosing party may use to support its claims or defenses. Electronic data that falls under this rule must be identified or produced under the initial disclosure requirements.

CONCLUSION

When litigating an intellectual property or other case involving electronic data in federal court, it is not enough to delay worrying about identifying relevant electronic data until an opposing party sends out discovery requests. In the Ninth Circuit, a litigant has an affirmative duty to identify and preserve discoverable data even before litigation starts when a party’s involvement in litigation is “probable.” Additionally, under the Ninth Circuit initial disclosure rules, a party in the Ninth Circuit has a duty to either identify or produce electronic data on which it will rely in a case. *In re Napster* illustrates the perils a party can face when it does not do enough to preserve its data after it realizes involvement in litigation is “probable.”

As illustrated by *In re Napster*, failing to suspend document destruction protocols, overwriting protocols, and the disposal of computers and/or stand alone storage devices that may contain relevant information can have major repercussions in litigation. To adequately represent clients in this technological age, litigators must be familiar with the duty to preserve.

ABOUT THE AUTHOR

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ENDNOTES

¹ *In re Napster, Inc. Copyright Litigation*, 462 F.Supp.2d 1060, 1068 (N.D. Cal., 2006)

² *In re Napster*, 462 F.Supp.2d at 1067 (citation omitted).

³ *Id.* at 1068 (citation omitted).

⁴ *See id.* at 1070–1078.

⁵ The district court did note, however, that the subpoena obviously triggered a duty to preserve the requested documents.

⁶ *In re Napster*, 462 F.Supp.2d at 1069.

⁷ The obligation to retain discoverable materials is an affirmative one; it requires that the agency or corporate officers having notice of discovery obligations communicate those obligations to employees in possession of discoverable materials. Therefore, even a party with a “long standing” policy of deleting emails must cease that policy once the duty to preserve attaches. A party that destroys emails once this duty attaches is, at best, negligent. *See In re Napster* at 1070.

⁸ *Accord Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 218

(S.D.N.Y.2003) (“Once a party reasonably anticipates litigation, it must suspend its routine document retention/destruction policy and put in place a ‘litigation hold’ to ensure the preservation of relevant documents.”). *Zubulake* is one of the leading federal cases concerning the preservation of electronic evidence, and has gained increasing currency in the Ninth Circuit, most recently in the *In re Napster* decision.

⁹ Conversely, counsel for a party that anticipates proceeding with litigation against another party should immediately send a letter to that party demanding the preservation of all electronic data relating to the litigation.

¹⁰ This occurred in *In re Napster*, where plaintiffs’ motion for default argued that Hummer failed to produce hundreds of emails formerly in their possession (but no longer in their possession because they were deleted) that plaintiffs obtained from other sources.

CRIMINAL ENFORCEMENT OF FEDERAL INTELLECTUAL PROPERTY LAWS—AN OVERVIEW

Tyler G. Newby

Many intellectual property attorneys may spend their entire careers without coming into contact with the criminal provisions of federal intellectual property laws. By and large, this is the way intellectual property enforcement should work. The United States intellectual property legal system relies largely on civil enforcement, with rights-holders bearing the bulk of the discretion, burden and expense of policing and enforcing their rights. Criminal prosecution has been and continues to be reserved for those special cases where the infringer's conduct is particularly odious, such as in the context of large-scale piracy and counterfeiting operations.

While intellectual property (IP) rights will probably always be enforced predominantly in the civil courts, criminal enforcement, as measured by both incidence and resulting penalties, has been on the rise in recent years. In public statements, top federal law enforcement officials have attributed this increase in criminal enforcement to a response to growth in IP crime, particularly crimes with transnational elements and ties to sophisticated criminal organizations.¹ In light of these trends, IP attorneys would be well-served to possess basic familiarity with federal criminal IP statutes and how they differ from civil IP laws.

With that in mind, the purpose of this article is threefold. First, the article gives a very high level summary of the criminal provisions of U.S. IP law and the principal distinctions from their civil counterparts. Second, it identifies the principal federal agencies responsible for investigating and prosecuting IP crimes and notes recent enforcement trends. Finally, because this article is limited in both its breadth and depth, it identifies publicly available resources on criminal IP law and enforcement.

TYPES OF INTELLECTUAL PROPERTY CRIMES

Federal IP crimes fall into three general categories: (a) crimes related to the Copyright Act, (b) crimes relating to trademark counterfeiting, and (c) trade secret theft, also known as economic espionage. IP practitioners will note the absence from this list of patent infringement, which is also discussed below.

Trade Secret Theft

Nearly every state has a civil trade secret statute based on the Uniform Trade Secrets Act.² Some states have also codified criminal penalties for willful trade secret theft.³ To fill the gaps in state criminal laws and to address situations where an individual may steal a trade secret from a company in one state for use in another state or country, Congress enacted the Economic Espionage Act (EEA) in 1996,⁴ which created the federal crime of trade secret theft. While the EEA borrows from the UTSA in many respects, such as in its definition of what constitutes a trade secret,⁵ it also has several material differences.

First, the EEA creates two separate offenses, depending on the misappropriator: (1) trade secret theft for the benefit of a *foreign government, instrumentality or agent*, 18 U.S.C. § 1831; and (2) theft of a trade secret related to a *product in interstate or foreign commerce* with the intent to provide an *economic benefit to a third party*, 18 U.S.C. § 1832. Violation of § 1831 carries a maximum penalty of a \$500,000 fine or 15 years imprisonment, or both, and violation of § 1832 carries a maximum penalty of 10 years imprisonment. Because commercial trade secret cases involving commercial entities rather than foreign instrumentalities are seen the most frequently by civil IP lawyers, this article will focus on § 1832.

Second, to be covered by the EEA, the trade secret must “be related to or included in a *product* that is produced for or placed in interstate or foreign commerce.”⁶ The UTSA contains no such limitation that the trade secret be “related to or included in a product,” nor does it require the product to be produced for or placed in interstate or foreign commerce.

Third, to be guilty of economic espionage, the defendant must have intended to confer an economic benefit on someone other than the trade secret's owner *and* to injure the trade secret's owner.⁷ The legislative history is clear that the intent to injure element does not require malice – only awareness by the defendant that his conduct would cause some disadvantage to the trade secret's owner.⁸

Unlike the UTSA, the EEA penalizes conspiracies and attempts to commit criminal trade secret theft.⁹ Like other attempt statutes, to prove attempted trade secret theft under either § 1831 or § 1832, the government must prove beyond a reasonable doubt that the defendant (a) had the requisite intent, and (b) took a “substantial step” toward commission of the trade secret theft.¹⁰ For conspiracy, the government must prove that the defendant agreed with one or more people to commit trade secret theft and at least one of the co-conspirators committed an overt act in furtherance of the object of the conspiracy.¹¹ The crimes of attempt and conspiracy are powerful tools for law enforcement to prosecute crimes before the full damage of the crime has been incurred. Indeed, at least three circuit courts of appeal have held that the government is not required to prove that the information sought by the co-conspirator was, in fact a trade secret, so long as the co-conspirators *believed* they were obtaining trade secrets.¹²

Copyright Piracy and Uploading

Criminal copyright infringement actions generally involve three substantive crimes, one of which is relatively new: (1) willful copyright infringement “for purposes of commercial advantage or private financial gain,” in violation of 17 U.S.C. § 506(a)(1)(A); (2) willful infringement, whether or not for financial gain, by reproduction or distribution during a 180-day period of one or more works with a total retail value of at least \$1,000 in violation of 17 U.S.C. § 506(a)(1)(B); and, (3) uploading a “pre-release” work to the Internet in violation of 17 U.S.C. § 506(a)(1)(C). In addition to these three infringement crimes, criminal offenses also arise out of the Digital Millennium Copyright Act (“DMCA”) that do not require a showing a copyright infringement.¹³ While there is significant overlap in civil copyright law and criminal law, such as the elements of copyrightability, there are also several important differences, which limit the situations in which criminal enforcement is appropriate.

First, unlike civil copyright infringement, proving criminal infringement requires a showing of willful infringement on the part of the defendant. The majority of courts have required the government to prove the defendant intentionally violated a known legal duty to satisfy the *mens rea* element—the most stringent interpretation of willfulness.¹⁴ At least one appellate court has held that the government satisfies this burden by showing that the defendant “chose to persist in conduct which he knew had a high likelihood of being held by a court of competent jurisdiction to be a violation of a criminal statute.”¹⁵

Second, unlike civil copyright infringement, in which the plaintiff need only prove the defendant infringed one of the exclusive rights conferred by 17 U.S.C. § 106,¹⁶ felony penalties, with one narrow excep-

tion, apply only to willful infringement of the reproduction and distribution rights, subject to certain numeric and monetary thresholds. The most serious criminal penalties for first time offenders—a maximum of five years imprisonment, three years supervised release, and a fine of \$250,000—require proof that, during a 180 day period and for the purpose of commercial advantage or private financial gain, the defendant willfully reproduced or distributed, including by electronic means, 10 or more copies of at least one copyrighted work or phonorecord with a total retail value exceeding \$2,500.¹⁷

There is one form of criminal copyright infringement that does not require proving any monetary or numerical thresholds for a felony. A relatively recent amendment to the Copyright Act was added in 2005 to provide for stiff penalties for uploading “pre-release” copyrighted works to the Internet. Specifically, 17 U.S.C. § 506(a)(1)(C) criminalizes willful infringement “by the distribution of a work being prepared for commercial distribution, by making it available on a computer network accessible to members of the public, if such person knew or should have known that the work was intended for commercial distribution.” This statute has been applied to obtain felony convictions of persons who have uploaded to the Internet pirated copies of movies before their theatrical release on DVD.¹⁸

TRAFFICKING IN COUNTERFEITS AND COUNTERFEIT LABELS

Purveyors of goods and services, high tech and low tech, have relied on trademarks and service marks for decades to identify the source and quality of their goods to consumers. In addition to the civil protections afforded by the Lanham Act, the Trademark Counterfeiting Act, 18 U.S.C. § 2320, provides that whoever “intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services” is guilty of a federal felony.¹⁹ The statute also criminalizes trafficking or attempting to traffic in labeling and documentation, even absent attachment to a product, “knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive.”²⁰

The Trademark Counterfeiting Act draws heavily on the Lanham Act, including its definitions, limitations on remedies and defenses. Like a civil suit for trademark infringement under 15 U.S.C. § 1114, the government must prove that the victim’s mark is registered on the principal register of the U.S. Patent and Trademark Office and is in use.²¹ However, unlike in a civil suit, the government must also prove the counterfeit mark is being used in connection with trafficking in goods or services “identical with, or substantially indistinguishable from, a mark registered for those goods and services.”²² In the case of counterfeit labels, the government must prove the labels were “designed, marketed, or otherwise intended to be used” in connection with goods or services for which the mark is registered.²³

Also unlike civil trademark infringement, which is a strict liability claim, the government must prove “knowing” use of a counterfeit mark on or in connection with the trafficked goods or services to prevail on a § 2320 charge. In the case of counterfeit label trafficking, the government must prove the defendant knew a counterfeit mark had been applied to the label, “which is likely to cause confusion...” To satisfy the knowledge element, the government may show the defendant had “an awareness or a firm belief” the mark was counterfeit,²⁴ or, in some circuits, that the defendant acted with willful blindness toward the counterfeit nature of the mark.²⁵

PATENTS

While there has been an explosion of patent litigation over the past decade, Congress has never elected to criminalize patent infringement. The only criminal statutes concerning patents are more akin to anti-counterfeiting laws that aim to protect the public from falsely labeled goods. 18 U.S.C. § 497, for example, criminalizes forging or counter-

feiting “letters patent,” and 35 U.S.C. § 292, which also may be enforced civilly, criminalizes falsely marking a product as patented when, in fact, it is not patented or the patent is held by another person with the intent to deceive.²⁶ There have been no reported decisions applying or interpreting the criminal statute against forging letters patent, and criminal prosecutions of the false marking statute have been rare.²⁷

FEDERAL AGENCIES RESPONSIBLE FOR IP CRIMINAL ENFORCEMENT

At the federal level, two investigative bodies bear most of the responsibility for investigating criminal violations of the statutes discussed above: the Federal Bureau of Investigation, and Immigration and Customs Enforcement, a branch of the Department of Homeland Security. Investigators from these organizations and occasionally others work with federal prosecutors to investigate and prosecute IP crimes.

On the prosecution side, each U.S. Attorney’s Office has at least one dedicated Computer Hacking and Intellectual Property (“CHIP”) prosecutor who has special expertise in IP crimes and computer crimes, such as network intrusion. The Justice Department has bulked up the CHIP units across the country over the past few years. There are now 25 CHIP units and approximately 230 CHIP prosecutors nationwide—including two in Idaho. The Department of Justice’s Criminal Division also has twelve prosecutors in its Computer Crime and Intellectual Property Section (CCIPS), who focus exclusively on prosecuting IP crime in jurisdictions across the country.²⁸

According to publicly released statistics, the recent increase in federal prosecutorial resources for IP crime has been accompanied by growth in investigations, prosecutions and convictions. In 2006, the FBI increased its arrests in IP cases by nearly 40% over 2005.²⁹ These arrests and charging decisions have resulted in more convictions and higher sentences. In 2006, federal prosecutors convicted 57% more defendants of criminal copyright and trademark offenses than the prior year,³⁰ and the number of defendants receiving prison terms of more than two years increased 130 percent.³¹

ADDITIONAL RESOURCES

While this article has provided only an abbreviated introduction to the IP criminal enforcement landscape, a wealth of detail on IP crime is available at www.cybercrime.gov, a publicly accessible web site administered by the Computer Crime and Intellectual Property Section of the U.S. Department of Justice’s Criminal Division. In addition to containing a comprehensive 436 page treatise entitled “Prosecuting Intellectual Property Crimes,” the site contains up-to-date data on policy initiatives, pending legislation, indictments, and sentencing decisions concerning IP crime.

Detailed resources for reporting suspected IP crime are available online.³² In addition, the Justice Department’s IP Task Force has published a handbook to aid victims in reporting IP crimes, which includes crime-specific checklists. This handbook is also available online.³³

ABOUT THE AUTHOR

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¹ See, e.g., Prepared Remarks of Attorney General Alberto R. Gonzales at the U.S. Chamber of Commerce, June 20, 2006, available at http://www.usdoj.gov/ag/speeches/2006/ag_speech_060620.html; Statement of Laura H. Parsky, Deputy Assistant Attorney General, Criminal Division, Department of Justice, Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia Committee on Homeland Security and Governmental Affairs, United States Senate, June 14, 2005, available at <http://www.cybercrime.gov/ParskyIPtestimony061405.htm>; Deputy Assistant Attorney General Laura H. Parsky Remarks Before the "The Major Challenges of Intellectual Property Protection" Conference in Rome, Italy, October 14, 2004, available at <http://www.cybercrime.gov/parskySpeech.htm>; Statement by Attorney General Janet Reno, Symposium of the Americas: Protecting Intellectual Property in the Information Age, September 12, 2000, available at <http://www.cybercrime.gov/ipsymposium.htm>.

² As of May 2007, forty-seven states have enacted the Uniform Trade Secrets Act, and legislation adopting the UTSA has been introduced in New York and New Jersey. See, e.g., http://www.nccusl.org/Update/uniformact_factsheets/uniformacts-fs-utsa.asp.

³ See, e.g., California Penal Code § 499c.

⁴ 18 U.S.C. §§ 1831-1839.

⁵ 18 U.S.C. § 1839 defines a trade secret as "all forms and types of financial, business, scientific technical, economic, or engineering information . . . whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing if (A) the owner thereof has taken reasonable measures to keep such information secret; and (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, the public."

⁶ 18 U.S.C. § 1832(a) (emphasis added).

⁷ *Id.*

⁸ H.R. Rep. No. 104-788, at 11-12 (1996), reprinted in 1996 U.S.C.A.N. 4021, 4030.

⁹ 18 U.S.C. §§ 1831(a)(4)-(5), 1832(a)(4)-(5).

¹⁰ *United States v. Hsu*, 155 F.3d 189, 202 (3d Cir. 1998).

¹¹ 18 U.S.C. §§ 1831(a)(5), 1832(a)(5).

¹² *Hsu*, 155 F.3d at 203-05; *United States v. Lange*, 312 F.3d 263, 268-69 (7th Cir. 2002); *United States v. Yang*, 281 F.3d 534, 542-45 (6th Cir. 2002).

¹³ Due to space restrictions, this article does not address the criminal provisions of the DMCA or recently enacted federal criminal statutes against "camcording" motion pictures.

¹⁴ See, e.g., *United States v. Cross*, 816 F.2d 297, 300-01 (7th Cir. 1987); *United States v. Moran*, 757 F. Supp. 1046, 1049 (D. Neb. 1991); *United States v. Sherman*, 576 F.2d 292, 297 (10th Cir. 1978); 4 *Nimmer on Copyright* § 15.01[A][2], at 15-6 to 15-7.

¹⁵ *United States v. Heilman*, 614 F.2d 1133, 1138 (7th Cir. 1980).

¹⁶ The exclusive rights of a copyright owner set forth in 17 U.S.C. § 106 are: reproduction, the preparation of derivative works, public distribution of copies or phonorecords of the work, public performance for certain types of works and public display of certain types of works.

¹⁷ 17 U.S.C. § 506(a)(1)(A); 18 U.S.C. § 2319(b). The "personal financial gain" requirement for the most serious penalty does not limit enforcement to situations where a willful infringer expected or received cash in exchange for pirated works. Following the rise of online "warez" groups, where members contribute pirated material so that they may access pirated material contributed by others, Congress defined "financial gain" to include the "receipt, or expectation of

receipt, of anything of value, including the receipt of other copyrighted works." See 17 U.S.C. § 101.

¹⁸ See, e.g., "N.J. Man Pleads Guilty in Federal Court to Stealing the Movie 'The Hulk' and Posting it on the Internet," June 25, 2003, available at

<http://www.usdoj.gov/criminal/cybercrime/gonzalezPlea.htm>.

¹⁹ 18 U.S.C. § 2320(a).

²⁰ *Id.*

²¹ 18 U.S.C. § 2320(e)(1)(A)(ii).

²² 18 U.S.C. § 2320(e)(1)(A)(i)-(ii).

²³ 18 U.S.C. § 2320(e)(1)(A)(iii).

²⁴ Joint Statement on Trademark Counterfeiting Legislation, 130 Cong. Rec. 31,674 (1984).

²⁵ See, e.g., *United States v. Brodie*, 403 F.3d 123, 148 (3d Cir. 2005).

²⁶ 35 U.S.C. § 292 also prohibits falsely claiming that a patent application has been filed or that a product is patent-pending.

²⁷ 35 U.S.C. § 292 has been applied in civil actions numerous times.

²⁸ "Justice Department Focuses on Efforts to Protect Intellectual Property Rights" (May 14, 2007), available at

http://www.usdoj.gov/opa/pr/2007/May/07_ag_353.html.

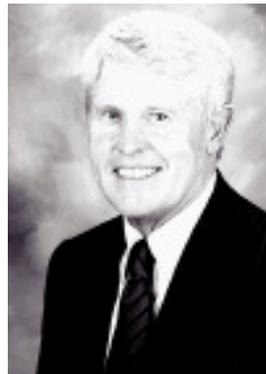
²⁹ *Id.*

³⁰ *Id.*

³¹ See Prepared Remarks of Attorney General Alberto R. Gonzales to the U.S. Chamber of Commerce Coalition Against Counterfeiting and Piracy, May 14, 2007, available at http://www.usdoj.gov/ag/speeches/2007/ag_speech_0705141.html.

³² See <http://www.cybercrime.gov/reporting.htm>.

³³ See [http://www.cybercrime.gov/2006IPTFProgressReport\(6-19-06\).pdf](http://www.cybercrime.gov/2006IPTFProgressReport(6-19-06).pdf) (Appendix B).



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THE LAW OF ELECTRONIC CONTRACTS: THE NEW UNITED NATIONS CONVENTION

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THE CRITICAL NATURE OF ELECTRONIC COMMERCE

Electronic commerce (e-commerce), generally defined as the placing and receiving of orders over the Internet, is an important part of the global economy and modern business. In the United States, e-commerce sales continue to grow, particularly in the areas of manufacturer shipments and wholesale trade. In 2003, twenty-one percent (21%) of total manufacturing sales and thirteen percent (13%) of wholesale transactions in the United States were e-commerce sales.¹

Governments have also embraced online transactions. In Oregon, for example, the State Board of Nursing has deployed an online renewal licensing system.² The system now processes seventy-nine percent (79%) of all renewals, generating \$264K in revenue for the state in 2004 and up to an estimated \$1.4M in 2006, and reducing the uncollectability of fees by thirty percent (30%).³

Many Idaho businesses are Web-based or have a significant Web-enabled component. Informational content and other intellectual property form the goods and services that comprise the basis of those electronic commercial transactions. For example, Boise-based PCS Education Systems, Inc. is a long-standing global force in educational innovation. Its products include Edventures! Online, an Internet-delivered home-schooling educational system for kindergarten through twelfth grade in all fifty states and in numerous countries abroad, including Saudi Arabia, Korea, and Germany.

There are few statistics as to how many Idaho transactions are conducted or enabled by e-commerce, or how many Idaho businesses conduct business online.⁴ In 2004, however, the Idaho Legislature considered a Senate bill to enable the state's participation in a nationwide effort to address the taxation of Internet sales.⁵ The accompanying Statement of Purpose estimated that 2001 Internet sales in Idaho by remote sellers, that is, sellers not in Idaho, totaled some \$880 million.⁶ By 2006, the Statement forecast that sales would reach \$3.02 billion.⁷

In addition to these online sales into Idaho, e-commerce likely plays a hugely important role in spurring the growth of Idaho's exports. In 2005, exports in the manufacturing sector were attributed for supporting some five percent (5%) of all private-sector employment in the state.⁸ More than one in seven manufacturing jobs in Idaho are tied to exports.⁹ Idaho's exports topped \$3.2B in 2005, up from \$2.9B in 2004.¹⁰ E-commerce figures prominently in this critical and growing component of Idaho's economy and in the success of Idaho businesses of all sizes and in all industries.

E-commerce enables parties to view products, negotiate terms, conclude sales, make payments, and arrange for product delivery entirely by using their computers and an Internet connection. This method of doing business has opened doors to transactions between parties removed from each other by great geographic distances and multiple time zones. The transaction costs are very low in e-transactions as compared with transactions that, in the past, could only be carried out with significant travel, telephonic communications, and the lengthy lag time associated with traditional business correspondence. Online payment mechanisms now abound with PayPal, Idaho's own ClickBank, traditional banking institutions and credit card payments, and other suppliers—thereby eliminating the need to exchange paper forms of payments and the time to complete payment transactions. Furthermore, e-commerce enables not only the sales of and payment for products, but also the *delivery* of products and content via the Internet through software, music, and information downloads, web-based computer applications, social networking sites, and other new technologies. In sum, e-com-

merce is highly efficient and effective and therefore integral to business today. Accordingly, attorneys serving businesses and the consumers who buy from those businesses need to be knowledgeable about the laws governing electronic commerce.

Of course, obstacles exist to international e-commerce, ranging from a lack of widespread, open, and reliable Internet access for important trading partners abroad to a lack of continuity regarding the enforcement of contract law, both generally and as it pertains to electronic contracting. For e-commerce to become truly practicable and predictable as a means of conducting international business and to enable the appropriate management of the attendant business and legal risks, businesses need more standardization in how countries recognize and enforce electronic contracts (e-contracts).

To address this need, the General Assembly of the United Nations (UN) adopted the Convention on Electronic Communications in International Contracts (“UN Convention” or “Convention”) in December 2005.¹¹ Already China and the Russian Federation, two of the United States' important trading partners, along with other countries, have signed this new Convention.

DEVELOPMENT & STATUS OF THE UN CONVENTION

The United Nations organizes under its auspices a number of special commissions to coalesce subject matter expertise and address important matters of international concern. These bodies study the matter at hand and develop reports, recommendations, model laws, and other writings, which may then be forwarded for consideration by one or more international legislative bodies. The United States actively participates in these bodies. Under the United States' powerful advocacy of its legal and business interests, many legal principles and procedures of the United States and reflective of the common law traditions instilled across the former British Empire find their way into the documents prepared and forwarded by these special bodies for legislative consideration and, consequently, into the laws as they are adopted.

Given the diplomatic nature of the bodies, however, U.S.-centric legal principles and procedures are often counterbalanced by those of other nations, particularly those of civil law countries like Germany, and of international collectives of nations like the European Union. For this reason, attorneys need to understand that, irrespective of choice of governing law provisions, the electronic contracts that they draft and seek to enforce are subject to the operation of international and foreign laws. The UN Convention on Electronic Contracting is one such important international law about which attorneys should know in order to best represent their clients' interests in e-commerce transactions.

The UN Commission on International Trade Law, or UNCITRAL, is a long-standing special body of the United Nations. UNCITRAL previously prepared model laws for electronic commerce and electronic signatures. It prepared the UN Convention on Electronic Contracting in an effort to “remove legal obstacles to electronic commerce.”¹² The Convention seeks to address ambiguities surrounding the formation of digital contracts and to codify certain important tenets of electronic contracting to further predictability and legal certainty in these online transactions. The Convention also aims to encourage e-commerce in developing countries by assuring foreign companies and investors that e-contracts are valid and legally recognized and enforceable in those countries.

A brief outline of how international conventions, *i.e.*, treaties, become law is helpful. After the text of a new treaty is finalized, it is then opened for signature by countries, or “states.” The treaty text estab-

lishes the time period during which the treaty is open for signature. In addition, the text establishes what must occur for the treaty to enter into force, that is, what a nation must do to adopt the treaty and when it becomes bound by its provisions. In some instances, treaties will establish that a certain number of states must sign within the signature period for the treaty to enter into force. In other instances, the treaty enters in force immediately upon a state's signature.

In addition, the only signature required is that of a head of state or his or her authorized deputy. Thus, a treaty will become law, binding upon the United States in the international plane, upon its signature by the President or the Secretary of State. From an international perspective, the advice and consent of the United States Senate is an entirely domestic issue internal to the United States. Typically, whether the Senate gives advice and consent has no bearing whatsoever on whether the United States is bound by the treaty vis-à-vis other states. (However, the advice and consent of the United States Senate is essential for the treaty to become binding in the United States. Generally, implementing legislation, in addition to ratification by the Senate, is also necessary to make the treaty binding on the domestic legal plane.)

The text of the UN Convention on Electronic Contracting adopts slightly different rules as to its binding effect. The Convention opened for signatures in January 2006 and will remain open until January 2008. In becoming signatories to the Convention, states pledge to consider ratification, but they are not bound until their domestic governments ratify the treaty. As of May 27, 2007, signatories to the Convention were China, Russia, the Central African Republic, Lebanon, Madagascar, Paraguay, Senegal, Sierra Leone, Singapore, and Sri Lanka.¹³ Of these, the Russian Federation was the most recent signatory (on April 25, 2007).¹⁴

Important business and legal organizations have endorsed the Convention and urged its adoption. Among these are the International Chamber of Commerce (ICC) and the United States Council on International Business. The American Bar Association's Sections of Science and Technology Law and of International Law have both urged strongly that the United States become a signatory to the Convention, saying that the "Convention will significantly reduce the legal uncertainty resulting from the lack of (or inconsistent) country legislation addressing e-commerce transactions, and from legal barriers created by pre-existing international treaties[.]"¹⁵

HARMONIZATION OF THE LAW OF E-CONTRACTS

The purpose of the UN Convention on Electronic Contracting is to establish international agreement and therefore harmonize the law as to electronic contracts by promoting continuity in the terms, definitions, and types of online commercial agreements. Some of the most basic rules of contract formation are difficult to apply to e-contracts simply due to their online and electronic nature. For example, the most basic requirement of what constitutes a "writing" is itself problematic. Is an email a "writing"? What about signatures? Are electronic signatures sufficient to create a commitment?

Some countries and international collectives have already resolved these questions within their domestic legal systems. The United States, the European Union, Australia, Canada, and others have established bodies of case law dealing with these and similar questions.¹⁶ There is, however, no international agreement to reconcile countries' differences in the treatment of these legal questions and, in some countries, there may be no law on point whatsoever.

Developing countries are critical sources of imports to Idaho and the United States, including, for example, imports such as food products and computer components manufactured abroad for incorporation into products bound for the United States and other important markets. Many foreign companies and investors are unwilling to undertake the risk of contracting in countries without a strong precedent of judicial enforce-

ment of contracts and ascertainable laws governing contract formation.¹⁷ The Convention will have a great impact in facilitating and expanding trade with such developing countries.

Despite the necessity of leaving some terms open to national and regional interpretation, the Convention represents a clear, functional means of harmonizing the law governing e-contracts. It should reassure businesses wary of concluding e-contracts with parties in countries that lack significant bodies of law dealing with e-commerce. It may also provide a framework for developing countries' codification and promulgation of statutes and regulations related to e-contracting. Christopher Kuner, vice chair of the ICC Special Advisory Group on E-Related Issues, has stated that the Convention will "strengthen the legal validity of electronic transactions, particularly in developing countries, and will help boost e-commerce in those developing countries which ratify it."¹⁸

KEY PROVISIONS OF THE CONVENTION

Some of the Convention's articles are reminiscent of provisions of the Uniform Commercial Code adopted, in near uniformity, across the United States. Other provisions reflect the special issues that arise in international and electronic transactions. As indicated in the accompanying citations, readers can access the Convention's full text and UNCITRAL's commentary in English. This section, however, highlights some of the Convention's important features and provides some points of discussion as to the Convention's implications for legal practice.

As to the application of the Convention, there are some notable transactions that are exempt. The Convention does not apply to contracts concluded for personal, household, or family purposes; or as to financial assets or instruments held by an intermediary; or to bills of lading or exchange or promissory notes.¹⁹ This determination regarding the subject matter of the e-contract and, thus, the applicability of the UN Convention, may be open to interpretation if the subject is only vaguely identified in the contract. In addition, parties have the autonomy to expressly agree to opt out of the treaty or modify or derogate from any of its provisions.²⁰

The Convention applies to contracts between parties whose places of business are in different states, that is, in different countries.²¹ Here, the question arises as to what it means, in the electronic age, to have a "place of business *in* a country." Does an Idaho company having a domain name registered in France thereby establish a place of business in France? Does an Idaho company having an employee or a distributor in Germany thereby establish a place of business in that country? In this regard, it may be important for attorneys to coordinate the drafting of e-contracts within the framework of a series of applicable treaties. For example, an attorney may draft the e-contract so as to yield the preferred "place of business" under the Convention, but in doing so may inadvertently create the basis for the client's "permanent establishment"²² in a foreign jurisdiction under a tax treaty, thereby creating a tax liability for the Idaho company in a foreign jurisdiction.

Further, if a party has more than one place of business, or does not specify one, then the place of business is determined to be the one with the closest relationship to the contract.²³ This "closest relationship" language suggests that it would be a best practice for the parties to stipulate in the e-contract to the country having the closest relationship to the contract. This would be akin to agreeing by contract to the place of performance for the contract, but courts in the foreign country may not recognize such a stipulation if the facts do not support the stipulation or run afoul of its constitutional or other legal principles. Hence, the need for the Convention's probable harmonizing effect is even more apparent.

As to fundamental matters of contract law, the Convention establishes that contracts may not be deemed invalid or unenforceable merely because they are established solely through electronic communication.²⁴ Further, a contract "shall not be denied validity or enforceability on the sole ground that no natural person reviewed or intervened in each

of the individual actions carried out by the automated message systems or the resulting contract.”²⁵ Note that the Convention does not establish the universal validity of electronic-only contracts, but it does operate to prevent the wholesale nullification of such contracts.

The Convention addresses the breadth of construction as to how electronic communications may be construed to be offers capable of acceptance. For example, if an originator sends a proposal to conclude a contract with many unspecified addressees, then that proposal is considered merely to be an invitation to make offers, and not as an offer in and of itself.²⁶

As to “mailbox rules,” the Convention establishes the time of dispatch and receipt of an electronic communication. A communication is deemed “sent” when it leaves the information system of the originator and “received” when it arrives at the electronic address of the addressee.²⁷ UNCITRAL’s remarks indicate that the most reliable evidence of the time of a communication’s dispatch may be that time noted in the communication’s transmission protocol, e.g., the transmission time contained in an electronic mail header, and that the time of a communication’s dispatch and its receipt may often be simultaneous.²⁸ The analysis of communications’ timing may be complicated in instances in which electronic mail headers are forged, however.²⁹

Article 14 of the Convention addresses errors in communications made by automated message systems. In such communications, if a natural person makes an input error and is unable to correct the error, then that person may withdraw the erroneous part of the communication if he or she: 1) alerts the other party immediately upon learning of the error; and 2) has not yet received any material benefit from the other party.³⁰ This approach to erroneous communications is of particular interest as it differs from the common law approach that often holds a party liable for the consequences of a unilateral mistake in a contract.³¹

As to what constitutes a “writing,” the Convention establishes that an electronic communication constitutes a contractual “writing” so long as it can be referenced later.³² The Convention, however, purposefully leaves some terms open to interpretation by national law, a foresight likely to accommodate future innovation in electronic commerce. For example, “electronic communication” is defined as “any communication that the parties make by means of data messages.”³³ The term “data messages” remains intentionally broad so as to include, not only communications sent from one computer to another, but also “information generated, sent, received or stored by electronic, magnetic, optical or similar means, including, but not limited to, electronic data interchange, electronic mail, telegram, telex or telecopy.”³⁴

Another issue which the Convention attempts to coordinate with domestic law is that of electronic signatures. UNCITRAL’s Article-by-Article Remarks (Remarks), which are published with the Convention, describe the basic legal requirements of an electronic signature, i.e., that it: 1) identify the originator of an electronic communication; and 2) indicate the originator’s intention as to the information in the communication.³⁵ The Remarks then describe the difficulty in mandating a specific method of creating or authenticating an electronic signature, particularly in light of rapid technological innovation.³⁶ As a result, the Convention provides certain criteria for electronic signatures, but maintains that the legal validity of an electronic signature must be settled under “law applicable outside the Convention.”³⁷

CONCLUSION

Electronic communication grows more efficient by the day and is opening new channels of commerce, particularly international commerce, to metropolitan and rural businesses across Idaho. Additionally, the growing online marketplace—where one can purchase and download software applications and music, films, and other content—necessitates security and reliability in e-contracting. By harmonizing systems of electronic contract formation and clearing up the legal ambiguities

that hamper its effectiveness, the UN Convention on Electronic Contracting should have a positive effect on trade at every level and open markets in even the most remote corners of the world.

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²⁹ See generally Emile Loza, *Internet Fraud: Federal Trade Commission Prosecutions of Online Conduct*, 23 COMMUNICATIONS AND THE LAW 55 (June 2001).

³⁰ UN Convention, Art. 14.

³¹ See Reporter's Notes, Draft § 2B-118, Uniform Commercial Code, Article 2, *Electronic Error: Consumer Defenses*, available at <http://www.law.berkeley.edu/institutes/bclt/events/ucc2b/draft/118.html> (visited May 29, 2007).

³² UN Convention, Art. 9.

³³ UN Convention, Art. 4.

³⁴ UN Convention, Art. 4.

³⁵ UN Convention, Article by Article Remarks at 154.

³⁶ UN Convention, Article by Article Remarks at 155.

³⁷ UN Convention, Article by Article Remarks at 156.

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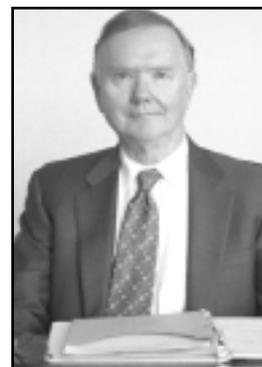
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UNIVERSITY OF IDAHO WEIGHS FUTURE OPTIONS IN STATEWIDE LEGAL EDUCATION

Don Burnett

University of Idaho College of Law

The University of Idaho is weighing the options on how best to fulfill its statewide mission in legal education, as prescribed by the Idaho State Board of Education (also the University's Board of Regents). The University's College of Law will mark its centennial in 2009. The College is engaged in strategic planning for a "second century" of statewide legal education.

A QUICK HISTORY OF THE PLANNING PROCESS

The College's planning for the future has attracted media attention recently, but in fact the process and the issues have been unfolding for many years. During the 1960s, when the College began to outgrow its quarters in the University's historic Administration Building, there were voices calling for the state's law school to be located in the state capital. The location issue was settled for a generation, however, when the "new" law school facility, the Menard Law Building, was constructed at Moscow in 1972-73.

In 1999, the University convened a panel of consultants whose report, "Strategic Directions in Legal Education for Idaho," was published in the June 2000, edition of *The Advocate*. Two months later *The Advocate* carried the "Report and Recommendations of the Faculty of the University of Idaho College of Law," which laid the foundation for establishing the College's current Boise office, hiring a law instructor and director of external programs, and creating the semester-in-practice program.

In 2003, the faculty adopted a "Statement of Strategic Direction" outlining subject areas—natural resources and environmental law, business law and entrepreneurship, and advocacy and dispute resolution, as well as international and comparative law, law and technology, and ethics and civic leadership—deemed to be strategically important for the future. In 2005, the faculty revisited strategic issues as part of a regular, periodic accreditation self-study. In 2006 and 2007, the Association of American Law Schools and the American Bar Association reaffirmed the College's accreditation, enabling the College to return its strategic focus to the programs necessary to meet Idaho's statewide legal education needs.

During 2007, a law school strategic planning committee, chaired by Professor Maureen Laflin, has met regularly to define future issues, engaging the full faculty in special meetings while gathering input from the law school staff and student leaders. In April 2007, the committee explored future issues in a two-day meeting with the Law Advisory

Council, a national group of distinguished alumni and friends of the College. On July 16-18, the College and the Idaho State Bar co-sponsored a "Conclave on Idaho Legal Education in the 21st Century," held in conjunction with the Bar's annual meeting.

The Conclave necessarily was limited in size in order to promote a thoughtful "workshop" approach to complex issues. It attracted 108 leaders of the state judiciary, legal profession, and business community, as well as the law faculty. University of Idaho president Timothy White and State Board of Education/Board of Regents member Laird Stone also participated, along with other administrators including general counsel for the University of Idaho and counsel for Boise State University and Idaho State University. A booklet thoroughly describing the Conclave's participants, purpose, and issues is available at a link on the College of Law website: www.law.uidaho.edu

THE IMPORTANCE OF PUBLIC LEGAL EDUCATION

As explained in the booklet and discussed in the Conclave, Idaho has a stake in both the excellence and affordability of public legal education. The excellence issue is framed by a realization that the quality of law teaching, research and service at Idaho's public law school will determine the reputations and career opportunities available to Idaho law students. Quality also will influence the economic competitiveness of our state as well as the depth of our state's commitment to the fair and effective administration of justice.

The affordability issue is underscored by the fact that legal education is increasingly financed by student debt; at some private schools, the debt load approaches that of a home mortgage.¹ Student debt is a major factor determining whether students can afford to take public sector jobs or to work in private practice settings representing Idaho families and small businesses. Thus, if the growing demand for legal education in Idaho, particularly in the Treasure Valley, were supplied by a private entity, many of the students emerging with private school-level debt loads would have difficulty taking Idaho jobs.²

Moreover, a public law school has a special calling to serve its state by creating leaders of the judiciary, the legal profession, and the business community; by providing scholarship in support of sound public policy and economic development; by engaging in service and outreach that enhance the performance of legal institutions; and by inculcating a culture of ethics and civic responsibility. Although all worthy law schools address these needs to some extent, the expectations for a state's public law school are especially (and appropriately) high. They represent a valuable return on the state's investment in higher education.

APPROACHES TO THE FUTURE

The challenges of excellence and affordability are combined in Idaho with the need to serve a vast and diverse state. The Conclave examined location issues relating to instruction in the J.D. program as well as legal and interdisciplinary scholarship, service, and outreach. As noted during the Conclave, the College enjoys the benefits of the University's supportive infrastructure, and interdisciplinary



UI Vice President for Advancement Chris Murray listens as Dean Don Burnett speaks to a working group.

nary connections with other programs, at the Moscow location. At the same time, the Boise metropolitan area offers additional opportunities for law students and faculty in a center of population, business, and government.

Participants in the Conclave reached a broad consensus that there are no easy or simplistic answers to the challenge of fulfilling the College's future statewide responsibilities with respect to legal education and the scholarship, service and outreach activities associated with it. There was also broad agreement that the College must advance beyond the status quo in meeting the needs for legal education throughout the state. Changes in legal education itself – globalization, specialization, and the need for more “practice-ready” graduates – also require the College of Law to advance beyond the status quo.

The Conclave considered three broad approaches for the future:

- A “Moscow plus” approach—expanding the College's Juris Doctor program on the Moscow campus while retaining the “semester-in-practice” and externships in the Treasure Valley and establishing specialized research and outreach institutes in Boise.
- A “relocation” approach—moving the Juris Doctor program to Boise in addition to the specialized research and outreach institutes, while retaining administration by the University of Idaho and continuing the interdisciplinary research connections with the Moscow campus.
- A “phased dual-location” approach—maintaining the Moscow location while expanding the “semester in practice” to a full third year, establishing the specialized research and outreach institutes, and then broadening the J.D. instruction in Boise to a full three-year branch program (possibly including a part-time course of study).

Each of these approaches would increase the College's presence in Boise, albeit in varying degrees and in differing time frames. Each could provide a unique opportunity for collaboration with the Idaho Supreme Court, which recently has developed a proposal to move the Idaho State Law Library (now contained within the Supreme Court) to a new, adjacent building that could also serve as an “Idaho Law Learning Center.”

NEXT STEPS IN THE STRATEGIC PLANNING PROCESS

No decision has been made regarding these approaches. Indeed, the Conclave did not “vote” on the approaches; rather, working groups within the Conclave explored the strengths and weaknesses of all of the approaches and variations of them. There was a consensus, however, that expansion of the College's presence in Boise is necessary, and that all of the approaches will require substantial new resources. These resources might come from a combination of legislative appropriation support, student tuition and fees, and private giving.

Any major future initiative must be developed in close collaboration with, and will be subject to approval by, the State Board of Education/Board of Regents. University President Timothy White noted during the Conclave that the “paramount consideration is what is best for our students – in terms of depth and breadth of the curriculum and preparation for practice, along with cost and access considerations - and best for the citizens of Idaho in terms of the number, quality and skills of graduates from our program.” State Board and Regent member Laird Stone told the Conclave that the Board is very interested in the quality and accessibility of legal education in Idaho, and will give strong consideration to the well-informed, thoughtful judgments of legal educators, senior University administrators, and the Idaho bench and bar.



Craig Meadows and Merlyn Clark, both of Boise, join UI Professor Monique Lillard as they listen to a working discussion.

During the remainder of this summer and fall, the faculty and administration of the College of Law will work with consultants, with senior University leadership, and with the State Board to develop a strategic plan that fulfills the College's statewide mission and embodies the insights developed during the Conclave. Updates on the plan will be presented during the Idaho State Bar “RoadShow” meetings with the district bar associations. Questions concerning the College's strategic planning process may be addressed to Don Burnett, Dean of the College of Law, dburnett@uidaho.edu, direct dial telephone 208-885-6305.

ABOUT THE AUTHOR

Don Burnett, a Pocatello native, is the Dean of the University of Idaho College of Law, a former member of the Idaho Court of Appeals, and a former President of the Idaho State Bar.

ENDNOTES

¹ Among law students graduating in 2006, the national average debt—just for legal education (excluding other educational or personal debt)—was \$54,509 for students who attended public law schools and \$83,181 for those who attended private law schools. The average for University of Idaho College of Law graduates in 2006 was \$51,582. (Source: American Bar Association.)

² For the University of Idaho College of Law graduating class of 2005, the median starting salary at all jobs in the public and private sectors was \$40,000 with a 25th/75th percentile range of \$37,000 to \$48,000. The national median salary for all jobs that year was \$60,000. The national median salary for jobs at firms with 2-10 attorneys was \$50,000. The median salary for the Mountain Region (Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming) was \$52,000. (Sources: National Association of Law Placement and UI College of Law Career Development Office.)

VENDOR-NEUTRAL CITATIONS—TIME TO PLAY IN IDAHO

John Hasko
University of Idaho College of Law

During the course of the past decade, the Internet has greatly increased accessibility to information of all sorts, including that provided by the federal and state judicial systems. As court opinions have come to be posted on the web pages of the various courts, some states have made conscious efforts to adopt a citation format that more conforms to an electronic environment.

For many states, a West Publishing Company publication operates as the official reporter for appellate decisions. Idaho has its *Idaho Reports*, published by West, and other states rely on West regional reporters to act as their official state reporters (e. g., the *South Western Reporter* is the official reporter for Texas opinions). As a consequence of these publishing agreements, citations to state court opinions from many states normally require access to a West publication and the pagination scheme of that publication.

With the posting of opinions on state court web sites, an alternative to the print citation format was recognized as desirable. Page numbers, as in the print reporters, are often not assigned in the slip electronic opinions. To identify a pinpoint cite, close to a dozen and a half state judicial systems have adopted a sequential paragraph numbering system, as recommended by an American Association of Law Libraries (AALL) Task Force on Citation Formats Report in 1995. The resulting citation format actually winds up being more precise than a page number

cite from a printed West reporter.

One of the early adopters of the “vendor-neutral” citation format was Wisconsin, and the rules adopted by the Wisconsin Supreme Court have operated as a template of sorts for other states. To get some sense as to how such an opinion looks, connect to the State Bar of Wisconsin web page (<http://www.wisbar.org>), and click on “Shortcuts, Wisconsin Case Law,” at the top of the column on the right side of that page. Clicking on “Wisconsin Supreme Court Decisions-1995 to present” will bring up the most recent opinions for the current year. The opinion, *Szleszenski v. L.I.R.C.*, has been assigned the vendor-neutral citation, 2007 WI 106. Click on the name of that opinion, and you can view a sample of the paragraph numbering system.

Because the sequential paragraph numbering is a required element of the opinion, it is incorporated in the text of the opinions in *Wisconsin Reports*, the official Wisconsin reporter, and also in the *North Western Reporter*, the unofficial West regional reporter.

While the adoption of a vendor-neutral citation format has been slow in coming, significant for Idaho is the fact that two-thirds of the adaptors are in its general vicinity. Nearby states with variations of the Wisconsin rules on sequential paragraph numbering in appellate court opinions include Arizona, Colorado, Montana, New Mexico, North Dakota, Oklahoma, South Dakota, Utah, and

Wyoming. The most recent nearby adaptor is Washington State, by virtue of Supreme Court of Washington Order No. 25700-B-447 (November 8, 2004), to the effect that the format should start to be incorporated in *153 Wash. 2d* and *124 Wash. App.* (2005), and, by extension, in the Washington State opinions in the *Pacific Reporter*.

As Idaho continues to make its Supreme Court and Court of Appeals opinions available electronically, it might be time to consider adopting a citation format that works better with that medium, and obviates the need to depend on a specific vendor to produce that information.

For a recent discussion of this and related issues, you might want to check out Peter W. Martin, *Neutral Citation, Court Web Sites, and Access to Authoritative Case Law*, 99 Law Lib. J. 329 (2007).



John Hasko received his J.D. from St. Mary's University in San Antonio, Texas and his M.S. in Library and Information Science from the University of Illinois in Urbana-Champaign. He has been the Director of the University of Idaho College of Law Library since 1997.

COMING EVENTS

These dates include Bar and Foundation meetings, seminars, and other important dates. All meetings will be at the Law center in Boise unless otherwise indicated. Dates might change or programs might be cancelled. The ISB website contains current information on CLEs. (www.idaho.gov/isb) If you don't have access to the Internet call (208) 334-4500 for information.

September 2007

(dates may change of programs may be cancelled)

- 3** **Labor Day, Law Center Closed**
- 4 *The Advocate* Deadline
- 5 Idaho State Bar Board of Commissioners Meeting
- 13 July Bar Exam Results Released
- 14** **CLE: Bankruptcy Law for the Non-Bankruptcy Attorney**
- 14-15** **CLE: Advanced Estate Planning, Sun Valley**
- 19 *The Advocate* Editorial Advisory Board Meeting
- 27** **CLE: Video Replay**
- 27 Idaho State Bar Admission Ceremony, Boise
- 28** **CLE: Idaho Practical Skills, Boise Center on the Grove**

October 2007

(dates may change of programs may be cancelled)

- 1 *The Advocate* Deadline
- 1 Bar Exam First Applicant Deadline
- 5 Idaho State Bar Board of Commissioners Meeting
- 5** **CLE: Family Law Seminar, Boise**
- 8** **Columbus Day, Law Center Closed**
- 12** **CLE: Family Law Seminar, Moscow**
- 17 *The Advocate* Editorial Advisory Board Meeting
- 19** **CLE: Family Law Seminar, Pocatello**

OVERCOMING THE ANTI-TERRORISM AND EFFECTIVE DEATH PENALTY ACT

ADAM RICHINS
STOEL RIVES, LLP

The federal writ of habeas corpus permits a state defendant to challenge his state conviction on federal constitutional grounds in federal court. This article provides tips for writing persuasive habeas briefs in light of the Anti-terrorism and Effective Death Penalty Act (AEDPA).

The great writ is alive, but wounded. Eleven years ago, Congress significantly altered habeas cases when it enacted AEDPA. Before AEDPA, a federal court could grant habeas relief if, in its independent view, it decided that the state adjudication did not meet the standards of federal law. Now, 28 U.S.C. § 2254(d)(1) provides that courts may only grant habeas relief if a state adjudication “resulted in a decision that was contrary to, or involved an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States[.]” This change in the standard of review has markedly reduced the availability of federal habeas relief for state prisoners.

AEDPA has been criticized by scholars and judges alike. Many critics believe that AEDPA unconstitutionally prescribes the substantive rules of decision by which the federal courts must decide constitutional questions that arise in state habeas cases. So far, circuit courts have disagreed with these critics. Most recently, in *Crater v. Galaza*, the Ninth Circuit affirmed the constitutionality of § 2254(d)(1), agreeing with the Fourth and Seventh Circuits.¹ In *Crater*, the court indicated that § 2254(d)(1) does not impermissibly interfere with the independence of Article III courts; instead, “it simply sets additional standards for granting relief in cases where a petitioner has already received an adjudication of his federal claims by another court of competent jurisdiction.”²

For the most part, *Crater* was bad news for defense attorneys practicing in the Ninth Circuit. Indeed, it is difficult to persuade a federal judge that a state court decision “was contrary to, or an unreasonable application of, clearly established Federal law, as determined by the Supreme Court of the United States[.]” That being said, § 2254(d)(1) does not present an insurmountable hurdle. The problem in many cases is not the standard, but rather the way practitioners misuse the standard in their briefs. The following three rules should help defense attorneys improve their success in habeas cases.

First, make sure that your argument is properly supported by a Supreme Court precedent. The phrase “as determined by the Supreme Court of the United States” drives the § 2254(d)(1) inquiry. It restricts federal courts from overturning a state court decision on the ground that it conflicts with federal circuit precedent. Too often, practitioners ignore this fact and write habeas briefs that rely exclusively on federal circuit precedent. Do not make the same mistake. If federal circuit precedent supports your argument, use it, but remember that it only constitutes “persuasive authority.”³

Second, support your argument with “clearly established” Supreme Court precedent. The phrase “clearly established Federal law, as determined by the Supreme Court of the United States” refers to the holdings, as opposed to dicta, of Supreme Court decisions as of the time of the relevant state court decision.⁴ In addition, courts have indicated that this language excludes Supreme Court law derived

from plurality decisions, concurring and dissenting decisions, and decisions that do not definitively resolve a particular area of the law. Recognize the limitations imposed by this language, and address any flaws in your argument stemming from those limitations. For example, if you are relying on Supreme Court law that is arguably dicta, then take the time to explain why the language constitutes a holding.

Third, clearly indicate how the state court erred under § 2254(d)(1). Generally speaking, practitioners have two options in habeas cases. They can claim that the state court decision was “contrary to” Supreme Court precedent, or “an unreasonable application of” Supreme Court precedent. Under the “contrary to” clause, a federal court may grant habeas relief if the state court arrived at a conclusion opposite to that reached by the Supreme Court on a question of law or if the state court decided a case differently than the Court has on a set of materially indistinguishable facts.⁵ Under the “unreasonable application” clause, a federal court may grant habeas relief where the state court identified the correct governing legal rule from Supreme Court cases but unreasonably—as opposed to incorrectly—applied it to the facts of the particular case.⁶ These clauses are very different. Yet, practitioners often mix them. In my experience, this greatly confuses judges and clerks. Therefore, pick one standard, and stick to it. Or, use both standards, but clearly differentiate between them.

In sum, overcoming § 2254(d)(1) is difficult, but not impossible. Utilizing the three suggestions noted above will bolster your credibility with the court, help organize your argument, and give your client a fighting chance in federal court.

ABOUT THE AUTHOR

Adam Richins is a commercial litigator at Stoel Rives LLP. He served as a law clerk to the Honorable Stephen S. Trott of the U.S. Court of Appeals for the Ninth Circuit.

ENDNOTES

- ¹ *Crater v. Galaza*, 2007 WL 1965122 (9th Cir. July 9, 2007).
- ² *Id.* at *6.
- ³ *Duhaime v. Ducharme*, 200 F.3d 597, 600 (9th Cir. 2000).
- ⁴ *Williams v. Taylor*, 529 U.S. 362, 412 (2000).
- ⁵ *Williams*, 529 U.S. at 405
- ⁶ *Id.* at 407.

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FEDERAL COURT CORNER

Tom Murawski
U.S. District and Bankruptcy Courts

U.S. MAGISTRATE JUDGES RETIRE IN 2008

Chief U.S. Magistrate Judge Mikel H. Williams and U.S. Magistrate Judge Larry M. Boyle will both retire during 2008, although it is anticipated that each will continue to serve the District of Idaho in a Recalled status. In this capacity, they would perform the full range of statutory duties on a part-time basis. Effective March 29, 2008 Judge Williams will retire after 24 years of outstanding service to the Court. Effective September 27, 2008 Judge Boyle will retire after 16 years of excellent service to the federal court, preceded by 6 years of service with the state judiciary. A press release summarizing their distinguished careers can be found on our website at: www.id.uscourts.gov. A Merit Selection Panel will recommend the names of the most qualified applicants to serve as magistrate judges.

ANNUAL DISTRICT CONFERENCE/ FEDERAL PRACTICE PROGRAM

The U.S. Courts has expanded the Annual District Conference to four separate locations this fall. The series will open in Lewiston on October 5, followed by Idaho Falls on October 19, Twin Falls on October 26 and finish in Boise on November 2. There are several interesting presentations on the Agenda including: "Practical Pointers from Chambers" outlining effective practices when filing in the federal court; "In the Valley of Bankruptcy - Fear no Evil" presented by regional Bankruptcy experts; "The Supreme Court Review" presented by University of Idaho Dean Don Burnett, Associate Dean Richard Seamon and U.S. 9th Circuit Court of Appeals Judge Thomas G Nelson; "Controlling the Cost of E-Litigation" presented by Tim Withers of the Sedona Conference and Helen Bergman Moure from K&L Gates in Seattle; and finally a Judge's Panel Best Practices on "Advocacy from the Court's Perspective."

The cost of the Conference is \$75 for attorneys, and \$35 for law students, paralegals, or law clerks (\$100 late registration at the door). CLEs are pending. Note that deadlines will be two weeks prior to the respective Conference. Information, flyers and registration forms can be found on the court's website under the Scrolling Announcements.

FEDERAL BAR ASSOCIATION WILL RECOGNIZE IDAHO'S FEDERAL JUDGES

On September 6th at 12 noon, the Idaho Chapter of the Federal Bar Association will recognize Idaho's federal judges at the Idaho Historical Museum in Julia Davis Park. The keynote speaker will be the Honorable Stephen S. Trott of the Ninth Circuit Court of Appeals, who will be reflecting on how the Watergate events shaped history and ultimately affected judicial independence. For tickets, please contact Teresa Mc Roberts at the Idaho Historical Museum at 334-2120 Ext. 18 or teresamcroberts@ishs.idaho.gov.

FEDERAL BAR ASSOCIATION CLE PROGRAM

The 3rd Annual Tri-State Seminar (Idaho, Utah & Wyoming) on Federal Litigation Practice will be held on September 14-15 in Park City, Utah. District of Idaho Chief District Judge B. Lynn Winmill, U.S. Magistrate Judge Larry M. Boyle and Court Executive Cameron S. Burke are scheduled to appear on the Program. There will be 10 CLE credits awarded. The brochure and registration materials are available on our website under the Scrolling Announcements.

FEDERAL BAR REPRESENTATIVE APPLICATION DEADLINE

The deadline for applications for the Federal Bar Representative is September 5th. Pursuant to the Lawyer Representative Selection Plan, which ensures statewide representation, this year's Lawyer Representative must come from the 4th Judicial District. Typical duties include: serving on court committees, making recommendations on the use of the Court's Non-Appropriated Fund, developing curriculum for the District Conference, serving as the representative of the Bar to advance opinions and suggestions for improvement, and assisting the Court in the implementation of new programs or procedures. Interested parties should submit a letter setting forth their experience and qualifications to Diane Minnich, Executive Director, Idaho State Bar, PO box 895, Boise, ID 83701-0895. The Commission will then select six applicants for referral to the Board of Judges, who will make the final decision.

IMPORTANCE OF PROPER REDACTION OF PDF DOCUMENTS

Across the nation, there have been numerous instances where redacted documents are e-filed, but the redaction is not sufficiently secure to protect the information the filer intended. The key to successful redaction in a PDF document is to save the finished product as a "Certified Document." Our court has posted information on our website to assist filers in correctly preparing their redacted documents for e-filing. These detailed instructions can be found in a two-minute video-demonstration, as well as in printable form. They are located on our website under ECF Information Resources at: http://www.id.uscourts.gov/cm_ecf/reference.htm under "Best Practices."

AMENDMENT OF BANKRUPTCY FORMS

A number of amended Bankruptcy Procedural forms became effective on August 1, 2007. Most of the changes involved adding the last four digits of Social Security numbers, Individual and Employer Tax ID's and setting forth all names, including trade names, used by the debtor within the last 8 years. On December 1, 2007 a number of amended Official Bankruptcy forms will become effective, pending approval by the Judicial Conference at their September meeting. A draft of these official forms can be viewed at: <http://www.uscourts.gov/bankform/index.html>

CM/ECF HELPFUL HINTS VOLUME #7

Now available on our website at www.id.uscourts.gov is the latest edition of CM/ECF Helpful Hints. Among the topics discussed are the various enhancements contained in the new District release; the importance of adequately redacting pdf documents; managing e-mails and NEF's; problems associated with the use of Word 2007; and submission of documents on CD's.



Tom Murawski is an Administrative Analyst with the United States District and Bankruptcy Courts. He has a J.D. and Master of Judicial Administration.

COURT INFORMATION

OFFICIAL NOTICE SUPREME COURT OF IDAHO

Chief Justice
Daniel T. Eismann
Justices
Linda Copple Trout
Roger S. Burdick
Jim Jones
Warren E. Jones

1st AMENDED Regular Fall Terms for 2007

Coeur d'Alene September 5 and 6
Boise September 10, 11 and 12
Idaho Falls October 3 and 4
Pocatello October 5
Boise October 10 and 12
Boise November 2 and 5
Twin Falls November 7, 8 and 9
Boise. December 3, 5, 7, 10 and 12

By Order of the Court
Stephen W. Kenyon, Clerk

NOTE: The above is the official notice of setting of the year 2007 Spring Terms of the Idaho Supreme Court, and should be preserved. A formal notice of the setting of oral argument in each case will be sent to counsel prior to each term.

IDAHO SUPREME COURT ORAL ARGUMENT DATES

As of July 20, 2007

Wednesday, September 5, 2007 – COEUR D'ALENE

8:50 a.m.	State v. Anderson (Petition for Review)	#33827
10:00 a.m.	Ralph Naylor Farms v. Latah County	#33422

Thursday, September 6, 2007 – COEUR D'ALENE

8:50 a.m.	Cannon v. Perry	#32847
10:00 a.m.	Glaze v. Deffenbaugh	#33303
11:10 a.m.	Garcia v. Pinkham	#33330

Monday, September 10, 2007 – BOISE

8:50 a.m.	State v. Rose (Petition for Review)	#33637
10:00 a.m.	Pizzuto v. State	#32679
11:10 a.m.	State v. Rogers (Petition for Review)	#33935

Tuesday, September 11, 2007 – BOISE

10:00 a.m.	Best Hill Coalition v. Halko	#33323
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Wednesday, September 12, 2007 – BOISE

8:50 a.m.	Blanton v. Canyon County	#33439
10:00 a.m.	State v. Hooper (Petition for Review)	#33826
11:10 a.m.	State v. Oliver (Petition for Review)	#33899

OFFICIAL NOTICE COURT OF APPEALS OF IDAHO

Chief Judge
Darrel R. Perry
Judges
Karen L. Lansing
Sergio A. Gutierrez

1st Amended - Regular Fall Terms for 2007

Boise August 14
Lewiston
(Northern Idaho term) . . . September 11
Hailey October 3, 4 and 5
(Eastern Idaho term)
Boise October 11
Boise November 6, 8, 13 and 15
Boise December 11 and 13

By Order of the Court
Stephen W. Kenyon, Clerk

NOTE: The above is the official notice of setting of the year 2007 Fall Terms of the Court of Appeals, and should be preserved. A formal notice of the setting of oral argument in each case will be sent to counsel prior to each term.

IDAHO COURT OF APPEALS ORAL ARGUMENT DATES

As of July 20, 2007

Tuesday, August 14, 2007 - BOISE

9:00 a.m.	State v. Gomez	#33146
10:30 a.m.	State v. Zapata-Reyes	#32908
1:30 p.m.	State v. Shook	#32929

IDAHO LAW FOUNDATION



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In Memoriam

Hon. John Hohnhorst

from

Hon. John and Mrs. Linda Butler

Idaho Supreme Court and Court of Appeals
NEW CASES ON APPEAL PENDING DECISION
(UPDATE 08/01/07)

CIVIL APPEALS

ATTORNEY FEES AND COSTS

1. Did the court err in awarding fees and costs to defendants?

Pankey v. Action Collection Services
S.Ct. No. 33616
Court of Appeals

2. Whether the district court had jurisdiction to enter an order awarding costs and attorney fees.

Foisey v. Rockrose, LLC
S.Ct. No. 33424
Court of Appeals

SUBSTANTIVE LAW

1. Was ACHD's claim for prescriptive easement barred by the statute of limitations set out in I.C. § 5-202 for state actions relative to a claimed right in real property?

ACHD v. Total Success Investments, LLC
S.Ct. No. 32726
Supreme Court

2. Whether Losser can maintain an independent action for relief where the only damages alleged are costs and attorney fees incurred in another proceeding in which Losser and Bradstreet both appeared and actively participated.

Losser v. Bradstreet
S.Ct. No. 33932
Supreme Court

SUMMARY JUDGMENT

1. Did the court err when it found that Barrus had properly executed against the \$2,000 judgment awarded to him and that there were no equitable grounds for setting aside the execution of judgment?

Chavez v. Barrus
S.Ct. No. 33727
Supreme Court

2. Did the court err in granting summary judgment to Bank One in its action for ejectment against McNall?

Bank One v. McNall
S.Ct. No. 32806
Court of Appeals

3. Did the court err in entering summary judgment and in finding that *Davis v. Peacock*, 133 Idaho 647 (1999), was binding upon Peacock?

Watkins v. Peacock
S.Ct. No. 33684
Supreme Court

4. Whether Ameripride's placement of safety mats in certain high risk areas on the premises of plaintiff's employer created a duty on the part of Ameripride to place safety mats in the area where Baccus was injured.

Baccus v. Ameripride Services, Inc.
S.Ct. No. 33528
Supreme Court

EVIDENCE

1. Must the Department of Transportation present a calibration certificate on each alcohol concentration test to satisfy the reliability of the testing procedure of an Alco-Sensor II?

Archer v. Idaho Dept. of Transportation
S.Ct. No. 33725
Court of Appeals

DIVORCE, CUSTODY, AND SUPPORT

1. Was there substantial evidence for the trial court to determine that husband's intent in entering the stipulated property settlement was that wife would receive any survivor's death benefit?

Bright v. Bright
S.Ct. No. 33825
Court of Appeals

2. Whether the court erred in refusing to find as a matter of law that Yonkers is an unfit parent as a result of a pending guardianship order obtained against her by her parents affecting her rights to two other minor children.

Navarro v. Yonkers
S.Ct. No. 34118
Supreme Court

POST-CONVICTION RELIEF

1. Did the court err in ruling Curless had failed to establish either deficient performance or prejudice in relation to his claim that trial counsel was ineffective for failing to present medical evidence of impotency in his trial for lewd conduct with a minor?

Curless v. State
S.Ct. No. 33550
Court of Appeals

2. Did the court err in finding the petition did not raise a material issue of fact as to the prejudice prong of a claim of ineffective assistance of counsel?

Alworth v. State
S.Ct. No. 32927
Court of Appeals

3. Did the court err in dismissing Stuart's claim that his counsel's assistance was ineffective because his counsel failed to assist him in filling out the PSI questionnaire form?

Stuart v. State
S. Ct. No. 32445
Court of Appeals

DAMAGES

1. Whether the jury disregarded the trial court's instructions with respect to damages and awarded excessive damages under the influence of passion or prejudice.

Cole v. Esquibel
S.Ct. No. 33502
Supreme Court

2. Having concluded that Johnson violated the contract between the parties, resulting in financial injury to the plaintiff, did the trial court err in concluding that there was insufficient evidence to award relief of any kind?

Triology Network, Inc. v. Johnson
S.Ct. No. 33824
Supreme Court

HABEAS CORPUS

1. Did the district court abuse its discretion by dismissing the petition without allowing Hoots to amend his request for relief?

Hoots v. Craven
S.Ct. No. 33327
Court of Appeals

2. Whether the district court abused its discretion by dismissing Drennon's amended petition for a writ of habeas corpus for failure to exhaust administrative remedies as required by I.C. § 19-4206.

Drennon v. Fisher
S.Ct. No. 33712
Court of Appeals

CRIMINAL APPEALS

PLEAS

1. Did Sunderland have a constitutional right to conflict free counsel for purposes of his motion to withdraw his plea?

State v. Sunderland
S.Ct. No. 32356
Court of Appeals

SEARCH AND SEIZURE—

SUPPRESSION OF EVIDENCE

1. Did the magistrate court err by suppressing evidence of DeWitt's blood alcohol content, obtained after a blood draw from DeWitt while he was unconscious?

State v. DeWitt
S.Ct. No. 33706
Court of Appeals

2. Did the court err in denying Bishop's motion to suppress and in finding the officer's detention of him was supported by reasonable, articulable suspicion that he had committed or was about to commit a crime?

State v. Bishop
S.Ct. No. 32805
Court of Appeals

3. Was Ramirez's detention illegally extended beyond the purpose of the traffic stop such that all evidence seized from the time of the illegal detention should be suppressed?

State v. Ramirez
S.Ct. No. 32387
Court of Appeals

4. Did the court err in denying Cole's motion to suppress and in finding the officer had probable cause to stop Cole for driving under the influence of alcohol?

State v. Cole
S.Ct. No. 32711
Court of Appeals

5. Did the court err in finding there was probable cause to search Yeoumans' vehicle and in denying his motion to suppress?

State v. Yeoumans
S.Ct. No. 33153
Court of Appeals

SUBSTANTIVE LAW

1. Did the court err when it improperly defined the scope of cross-examination should Rauch choose to testify regarding an alleged statement he had made, resulting in Rauch being unable to testify as to this issue and thereby depriving him of his right to present a defense?

State v. Rauch
S.Ct. No. 31993
Court of Appeals

2. Does an outstanding withheld judgment based on a plea of guilty qualify as a conviction under Idaho law?

United States v. Sharp
S.Ct. No. 34092
Supreme Court

CRIMINAL APPEALS SENTENCING

1. Is it appropriate for a court to consider a specific sentence recommendation from a victim at sentencing?

State v. Diesz
S.Ct. No. 33434
Court of Appeals

DUE PROCESS

1. Were Timmons' due process rights violated when the State elicited testimony from Officer Fackrell about Timmons' failure to provide an alternative explanation for the bruising on CT, and further inferred that Timmons was guilty when the State commented on his pre-arrest silence in its closing statement?

State v. Timmons
S.Ct. No. 33080
Court of Appeals

2. Did the failure to arraign Flegel on the lesser included charge deprive Flegel of notice of the charges as required by the due process clause?

State v. Flegel
S.Ct. No. 32956
Court of Appeals

EVIDENCE

1. Was there substantial and competent evidence admitted at trial from which the jury could find beyond a reasonable doubt that Torres-Garcia possessed a firearm when he had previously been convicted of a felony?

State v. Torres
S.Ct. No. 33371
Court of Appeals

2. Did the court err in its pretrial ruling that if Martinez claimed mistake or lack of intent with respect to the charge of attempted strangulation then evidence of alleged prior bad acts of choking, as well as his prior domestic battery conviction, could be introduced by the state?

State v. Martinez
S.Ct. No. 32911
Court of Appeals

PLEA

1. Did the district court abuse its discretion in denying Finelli's motion to withdraw his guilty plea after Finelli demonstrated there were just reasons for withdrawing the plea?

State v. Finelli
S.Ct. No. 33590
Court of Appeals

Summarized by:
Cathy Derden
Supreme Court Staff Attorney
(208) 334-3867

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CHIEF JUSTICE GERALD F. SCHROEDER RETIRES

Christine M. Salmi
Perkins Coie, LLP



Chief Justice Gerald F. Schroeder, photo courtesy of Erich Schroeder.

In July 2007, after 38 years as an Idaho judge, Chief Justice Gerald F. Schroeder retired from his position as Chief Justice of the Idaho Supreme Court. Throughout those 38 years he has incorporated a wealth of knowledge, insight, civility and fair-mindedness to every case he presided over. Justice Schroeder has touched the lives of fellow judges, attor-

neys, law clerks, and individuals appearing in his courtroom. Those not interacting with him in the legal field have benefited from his extracurricular activities serving on the Board of Directors of the Boise Philharmonic, the Boise Opera and the Boise Racquet and Swim Club. He has also taught as an adjunctive faculty member at Boise State University. Although he graduated with honors from the College of Idaho (now Albertson College of Idaho), he received his law degree from Harvard Law School, and an honorary doctorate degree from Albertson College of Idaho.

Justice Schroeder's written opinions did not bog down with complicated legalese or abstract reasoning. Instead, his opinions were often written in common layman terms, applying well-reasoned, common sense approaches to complicated legal issues anyone could understand, whether they had a law degree or not. When talking with Justice Schroeder, you quickly realize he is a very bright, easy-going individual, who despite his status as Chief Justice of the highest state court in Idaho, has no airs or pretenses about him. He has a down-to-earth, easily approachable nature that makes it a pleasure to work with him.

When asked which part of his lengthy judicial career he enjoyed the most, Justice Schroeder said it was from 1969 to 1971. During that time his first judicial position was serving as an Ada County probate judge. In this position, in addition to probate cases, he presided over a variety of cases including cases governed by the Youth Rehabilitation Act, child protection cases, mental health cases, small value civil cases, consent to marriage and misdemeanor criminal cases. He was also responsible for the Ada County juvenile detention and probation program. As he explained, presiding over these types of cases gave him the opportunity to influence the lives of young people before they chose a life of crime. It allowed him to intervene, and attempt to break, the continuous cycle of abuse in child protection cases. He described his job as a probate judge as one involving "a very intense social

side with a very intense legal side, which is always a good combination" in his opinion.

As an Idaho probate judge, Justice Schroeder also had the opportunity to be one of the first judges in the country to interpret and apply the new Uniform Probate Code. The state of Idaho was the first state to adopt the Uniform Probate Code. Since there was no precedent to rely upon when applying the Code to Idaho cases, the state of Idaho was, in essence, a testing ground for the new Uniform Probate Code. Justice Schroeder and Phil Peterson, Dean of the Idaho College of Law at that time, co-authored the first practice manual for the Uniform Probate Code, which served as a guide for numerous practitioners for years to come. Being one of the few judges in the country with practical experience interpreting and applying the Uniform Probate Code, Justice Schroeder spoke in seventeen different states concerning application of the Code, and participated in several national conferences on the subject. Needless to say, Justice Schroeder was a true pioneer for Idaho's probate law as it exists today.

When I asked Justice Schroeder who his mentors were throughout his legal career, he hesitated to name specific individuals. He acknowledged that throughout his career, he had had the opportunity to work with and learn from many knowledgeable and skilled professionals. He did say he had a great deal of respect for former Federal District Judge, Fred Taylor. According to Justice Schroeder, he had a reputation for being hard on lawyers in his courtroom. But young or old, Judge Taylor treated them all with respect and all the same. He also respected Judge Taylor's instincts for justice and fair play. Justice Schroeder also believes Ray Durtschi always set a good example for other Idaho lawyers. Bud Hagan was another one of Justice Schroeder's favorite judges, who he believed was a good, fair-minded individual. Justice Schroeder also has a great deal of respect for his fellow judges he served with on the Idaho Supreme Court and various Fourth District courts, and for his life-long friends and colleagues, former Court of Appeals Judge Alan Schwartzman and former District Judge Dave Carey.

As a former law clerk for Justice Schroeder, I received a lot of good advice from him, both professionally and about life in general. When I asked him advice he had for new lawyers who are just starting to practice he said, "... lawyers should treat other lawyers, as well as clients, opposing parties and witnesses in a case, with civility." In particular, "Don't treat your colleagues as rivals. If you do, it will make your work life burdensome and you will always be suspicious of others' intentions. Instead, if you can do something to help your colleagues, you should do it, because in doing so, everyone will benefit." He also said young lawyers should not worry so much about having a grand plan for life; instead, they should focus on doing a good job in whatever they do each day. If they do this, good things will happen to them. He explained, he himself never had a grand plan for life. Instead, he focused his energy on maintaining a good reputation so that he could move forward in life with relative ease.



Justice Schroeder and Knute in the office. photo courtesy Christine Salmi.

While accomplishing so much in his professional life, Justice Schroeder also managed to help raise his two sons, Karl and Erich, both who are now adults living in different parts of the world. Karl presently resides in Thailand and Eric resides in China. I asked Justice Schroeder whether raising two children had any effect—positive or negative—on his legal career. He told me: “My kids were very positive influences for me when they were young, because every day when I left the office, I truly left the office. It was easy for me to leave my work behind at the office and enjoy my life with my family without being burdened with work worries.” He recalls when his boys were young, there was always something to look forward to at the end of the day when he closed his office doors and headed home to be with his family.

Now, after dedicating so much of his life to the legal profession, Justice Schroeder has decided to hang up his black robe and open a new chapter in his life. The decision to retire, however, did not come easy to him. He contemplated retiring several years ago, but he decided against it because there were so many things he did not want to leave undone. Some examples included the various water law cases the Idaho Supreme Court has heard over the past several years. Justice Schroeder believes those cases were very significant for Idaho citizens and he wanted to partake in addressing the various complicated and important issues that arose in those cases.

When asked what plans he had for retirement, Justice Schroeder did not respond quickly. He explained, for now, he has

no definite plans and he is happy with that notion. His approach to life is simple—live life one day at a time, do your best at whatever you do, and good things will come to you. When asked what he would have done differently in life, if he had not chosen the path of a lawyer and judge, Justice Schroeder said he would love to have written a great American novel—possibly even two or three great American novels. He loves to read, although, like many of us, he stopped reading for enjoyment many years ago because he had too much to read at work. He also said he would have loved to conduct a great orchestra. Justice Schroeder plays the trumpet for fun, and he loves to listen to great music. Whatever path he chooses, he certainly will not be alone. Justice Schroeder has a constant companion—his trusted and loyal dog, Knute, who never leaves his side. In addition, throughout his career, Justice Schroeder has made many life-long friends (many of whom are former work colleagues of his) who will always look forward to sharing good times with him—including myself. We will miss you, Justice Schroeder!

Editor’s Note: Former Chief Justice Gerald Schroeder will oversee hearings in an eastern Idaho water dispute. He has deliberated over 30 major water law cases in his twelve years on the Idaho Supreme Court. The next hearings are set for November 28, 2007 for water calls in the Thousand Springs area, and January 16, 2008 for the Surface Water Coalition call.

IDAHO'S FEDERAL JUDICIARY TO EXPERIENCE A HISTORIC TRANSITION

The Idaho federal judiciary will soon be experiencing a historic transition when two of its trial judges retire in 2008 from full-time service. Since Idaho became a state in 1890, only a handful of federal judges have been appointed to the bench, and it is without precedence that two vacancies will occur in such a close period of time. Changes to the composition of the federal bench have usually occurred with the passing of a judge, when one takes senior status, or upon the rare approval of a new judgeship position by Congress.

For more than sixty years after statehood was attained, Idaho had only one United States District Judge. It was not until 1954 that Congress approved the addition of a second federal judge. Then, in 1984 a new judicial position for Idaho, that of United States Magistrate Judge was authorized. In 1992, a second Magistrate Judge position for Idaho was authorized due to increasing case filings. In total, not counting Idaho's four Bankruptcy Judges who have served or are now serving, since 1890 there have been only 13 federal court trial judges, consisting of eleven District Judges including Edward J. Lodge and myself, and two Magistrate Judges, Mikel H. Williams and Larry M. Boyle.

With the decision of Judges Williams and Boyle to retire next year, two additional federal judges will be appointed to succeed them and the process to select their successors is already well under way. As prescribed by federal law, a Merit Selection Panel will be appointed to screen and recommend individuals to succeed Judges Boyle and Williams. Boise attorney Robert Hamlin has been appointed to chair that panel and a statewide survey of the applicants' qualifications will be conducted. Mr. Hamlin has served as the Executive Director of the Idaho Judicial Council for more than 20 years and has directed the work of the Council as it has screened applicants and submitted recommendations to the Governor for all Idaho Supreme Court, Idaho Court of Appeals and District Court positions filled during that 20-year period. Utilizing this approach, we will have the benefit of both

the federal guidelines procedures and the Idaho state system in selecting Idaho's two new federal judges.

The retirement of Judges Boyle and Williams in 2008, and the appointment of two new federal judges to succeed them will be a historic and watershed event of significant importance for Idaho's federal courts. It does not mean, however, the District of Idaho will lose the benefit of their services as judicial officers or be without the benefit of their vast reservoir of experience, ability, and legal talent as it is anticipated that both will serve on recall. Between them, at the time of their retirements, Judges Williams and Boyle will have more than 40 years of combined judicial experience at the trial and appellate levels of the state and federal judiciaries.

Before accepting his appointment as a federal judge in 1984, Judge Williams served as a Judge Advocate General officer and military judge on active duty and thereafter in the Army Reserve attaining the rank of Lt. Colonel. He also was a highly respected Department of Justice federal prosecutor with the United States Attorneys Office in Boise prior to entering into a successful private practice where he was at the time of his appointment to the federal bench.

Prior to accepting his appointment as a federal judge in 1992, Judge Boyle was one of Idaho's finest civil trial attorneys, a former state district judge, and an Associate Justice of the Idaho Supreme Court. He also served, at the request of William H. Rehnquist, then Chief Justice of the United States Supreme Court, an unprecedented three terms between 1998 and 2006 on a national federal court committee that approved requests for creating new federal judgeships.

In addition to Judges Williams and Boyle handling a substantial percentage of the civil cases filed in the District of Idaho, presiding over court and jury trials, working extensively with litigants and their lawyers in judicially supervised mediations and settlement conferences, and participating in every aspect of court

governance, each of them have served as the Chief Magistrate Judge for the District of Idaho and both have served the federal judiciary on both Ninth Circuit and United States Judicial Conference committees at the highest levels. Both judges have brought great honor and national recognition to the District of Idaho and each has left an indelible mark of judicial excellence. We anticipate that their successors will continue that standard.

The continuing service of these two judges on recall service after their retirements, along with the addition of the two new federal judges who succeed them, is truly a win-win for the District of Idaho. As a result, the citizens of Idaho and the members of the legal profession who represent their clients in federal court will have additional judicial resources available to serve their needs.

*Hon. B. Lynn Winmill
Chief District Judge
United States District Court for the
District of Idaho*

Judge Trott keynote speaker—The Idaho Chapter of the Federal Bar Association is hosting a luncheon honoring Idaho's Federal Judges, September 6, 2007. The luncheon will be held at the Idaho Historical Museum from Noon – 1:30 p.m. Idaho State Bar members and members of the public are invited to attend. The cost is \$20.00 for lunch. Please RSVP to Teresa McRoberts (208) 334-2120, ex 18.

EXPANDING TO BETTER SERVE OUR CLIENTS

We are pleased to announce that the following attorneys have joined our Boise office.



KELLY T. BARBOUR

Mr. Barbour, a 4th generation Idahoan, has joined Holland & Hart's Real Estate Group. His practice is focused on assisting commercial developers in retail, office, and residential developments, and providing general business counsel.

WILLIAM J. BATT

Mr. Batt focuses his practice on business law, company counseling, mergers and acquisitions, finance, venture capital and project finance, securities, insurance regulation, telecommunications, and public utility law. Prior to joining Holland & Hart, he was a founding and managing partner of Batt & Fisher.



HILARY M. BRADBURY

Ms. Bradbury joined Holland & Hart's Business Department after serving as a judicial clerk with the Honorable Michael McLaughlin in Idaho's Fourth Judicial District. Her practice focuses on real estate, business transactions, and mergers and acquisitions.

SARAH E. DAVIS

Ms. Davis joined Holland & Hart's commercial litigation practice in 2006 after serving as a judicial clerk with the Honorable Stephen S. Trott of the United States Court of the Appeals for the Ninth Circuit.



CECELIA A. GASSNER

Ms. Gassner joined Holland & Hart's Licensing and Technology Transactions Group after serving as a Deputy Attorney General of Idaho's Office of the Attorney General where she advised and represented the Idaho Public Utilities Commission. Her practice focuses on intellectual property transactions, information and data security, and telecommunications.

BRIAN T. HANSEN

Mr. Hansen previously served as Senior Vice President and General Counsel at MPC Computers and as Area Vice President, Legal, at Micron Electronics. His practice focuses on mergers and acquisitions, securities, and general business matters.



SCOTT D. HESS

Mr. Hess is a trial lawyer who has been in private practice in Boise for more than 25 years. He has significant experience in many areas of litigation, including all aspects of commercial litigation with a current emphasis on litigation involving complex business disputes.

ERIK F. STIDHAM

Representing both plaintiffs and defendants in complex litigation matters, Mr. Stidham focuses his practice on business disputes, business torts, construction litigation, and civil fraud claims. Mr. Stidham has served as lead trial counsel in lawsuits in more than 20 states.



Contact: **Larry E. Prince, (208) 342-5000, lprince@hollandhart.com**
U.S. Bank Plaza, 101 S. Capitol Boulevard, Suite 1400, Boise, ID 83702 www.hollandhart.com

—IN MEMORIAM—

HONORABLE MONTE BASIL CARLSON
1943 - 2007

The Honorable Monte Basil Carlson, age 64, passed away, unexpectedly, June 3, 2007. He was born March 13, 1943, in Burley, Idaho; and, was the second of five children born to Earl H. and Leona Peterson Carlson. Judge Carlson grew up in Burley, and graduated from Burley High School in 1961. He spent many years hunting and fishing in the surrounding area. He was an avid swimmer and spent many summers as a lifeguard at the Burley pool.

Judge Carlson served a mission for The Church of Jesus Christ of Latter-day Saints in Taiwan before returning to attend college at Brigham Young University. He married Diane Harkness in the Salt Lake Temple on January 26, 1966. After Judge Carlson graduated from BYU with a double major of English and Asian studies, he attended law school at the University of Utah, graduating with his law degree in 1970.

He started his law career at the law firm of Rayborn, Rayborn, Webb and Pike in Twin Falls, Idaho. He was public defender for several years and later began to practice personal injury. He became a partner in several other law firms over the years, but gave it all up in 1983 to serve as mission president in the Taiwan Taichung Mission. He served there for three years, returning to Twin Falls in 1986 to practice law. In 1992, he was awarded a Professionalism Award from the Idaho State Bar for his ethical conduct both in law and in his personal life. 1992 was the first year the awards were given out, and Judge Carlson felt very honored at receiving it.

On Sept. 25, 1998, Judge Carlson was sworn in as the Cassia County 5th District Judge in Burley, Idaho. He loved this job. Nobody enjoyed going to work more than he did. He had the best record of sustained decisions on appeals, a record of which he was very proud. In addition to his work as a judge, he presided over Drug Court, a program to help individuals overcome drug addictions, and he spent a lot of time mediating cases all over the state of Idaho.

Judge Carlson spent his free time at one of his favorite creeks, or archery hunting deer in "the orchard." But nothing rivaled the time he would spend on the elk hunt. It was one of the greatest pleasures in his life. For more than 30 years, Dr. Julian Nicholson was his best hunting buddy, with the doctor-lawyer friendship always providing a good joke. The elk hunt started with just the two of them but, over the years, it grew to include children, grandchildren and nephews.

He loved to learn, to read and to dehydrate all sorts of foods. He had a great sense of humor. Nothing tickled him more than a funny joke or e-mail. Judge Carlson also had an incredible gift for public speaking, and has spoken at countless firesides, funerals, weddings, and graduations. Judge Carlson was a wonderful father and grandfather, a favorite uncle, a beloved brother and a devoted husband to his best friend, Diane. He was a humble, gentle man and will be missed by so many.

Judge Carlson is survived by his wife, Diane Harkness Carlson; his daughters, Denise (Paul) McGuire of Provo, Utah, Crystal (Christopher) Farrell of Houston, Texas, and Meredith (Zachary) Fife of Murray, Utah; his mother, Leona P. Carlson of San Antonio, Texas; his siblings: Fred (Peggy) Carlson of Independence, Mo., Rex (Alice) Carlson of Provo, Utah, Lynn (Jeff) Gosling of San Antonio, Texas, and Michael (Vicky) Carlson of St. Anthony. He is also survived by 10 grandchildren, and many nieces and nephews. He was preceded in death by his father, Earl H. Carlson.

HAROLD Q. "PETE" NOACK
1931 - 2007

Harold Q. "Pete" Noack passed away July 10, 2007 at St. Luke's Hospital with three generations of his family by his side. Pete was born on May 1, 1931, to Elizabeth and Harold Quincy Noack in Berkeley, Calif. His father insisted on naming his first-born son after himself, but his mother always called him Pete. He grew up in the Bay Area with his only sibling Debbie spending summers in Twain Harte where he met the mother of his three sons. He graduated from the University of California at Berkeley in 1953, and went on to law school at Hastings College of Law where he made Law Review in 1958. He graduated from Hastings in 1959.

He practiced law in the Bay Area for 10 years until his love for skiing, fly-fishing, and the outdoors in general brought him and his family to Boise, Idaho in 1969. Pete started his private law practice in 1970 and continued until his death. He held a law license in Idaho and California. He was a member of the Idaho State Bar's Real Property Section, Law Practice Management Section, and Family Law Section.

In the 37 years he lived in Boise he was involved in many clubs and activities. He helped start a cross-country ski club, enjoyed bird hunting, and was active in Planned Parenthood, Idaho Heart Association, and Rotary Club of Boise. He loved dogs, cooking, and gardening with his sweetheart Connie and he looked forward to having lunch at Yen Ching with his friends and associates.

Pete is survived by his sons Steve of Lafayette, Calif., Peter of White Plains, N.Y., and Drew of Boise, Idaho; seven grandchildren; one great-granddaughter; his soul mate Connie Hassan, and Chelsea the Law Dog. He will be deeply missed by all who knew him. The family would like to thank St. Luke's and particularly the staff in the CCU for their compassionate care and attention to Pete and his family and friends during his brief stay with them.

GEORGE C. DETWEILER
1943 - 2007

George C. Detweiler, Twin Falls, Idaho passed away July 11, 2007. He was born in Salt Lake City, Utah on February 12, 1943, to George H. and Ruth Detweiler. Although born in Utah, he never lived there and stubbornly considered himself a native Idahoan. George graduated from Twin Falls High School and

then attended George Washington University where he studied economics and political science. He went on to attend law school at Georgetown University.

After receiving his J.D., George accepted a position as assistant attorney general to the state of Idaho. He later handled the legal work for his father's business, Detweiler Brothers, Inc. In 1976, he married Cora Lee Jaenichen, of Ketchum, Idaho, who was teaching in Bellevue at the time. They settled in Twin Falls and had two children, Lisa and Erin. Cora Lee passed away in 2001, and in 2005, he married Pam Grimm of Twin Falls.

George was a fly fisherman, bird hunter, and prolific punster. He was passionate about preserving and protecting the U.S. Constitution. He authored legislation, counseled policy makers and wrote numerous articles, including for the New American magazine, sharing his opinion and expertise on the precious document. He was a member of the Twin Falls County Republican Central Committee Executive Board of Directors, and once served on the board of the National Rifle Association. For many years he was a member of the Twin Falls Reformed Church and had recently been actively involved in Lighthouse Christian Fellowship. He was a member of Gideons International.

George cared deeply for his family and his country and will be remembered as a dedicated and focused individual. He leaves behind two daughters, Lisa Detweiler of Kennett Square, Pa. and Erin Detweiler of Seattle, Wash., his wife Pam, her two daughters, Brandy Rasmussen of Twin Falls and Courtney Jacklin of Couer d'Alene. He was preceded in death by his father George H. Detweiler, his mother, Ruth Detweiler, and his first wife, Cora Lee Detweiler.

FRANK E. CHALFANT JR.
1923 - 2007

Frank E. Chalfant Jr., 84, passed away , July 24, 2007 after a mercifully short battle with cancer. He was born, raised and died in his beloved Boise. He was born in Boise, January 27, 1923, to Frank and Katherine Chalfant. Frank was raised in the First Presbyterian Church where his grandfather was a minister. He grew up with two brothers, Hugh and Charles. He graduated from Boise High School and served briefly in the U.S. Navy during WWII. He earned a bachelor's degree from the College of Idaho. He then attended medical school at the University of Washington and Northwestern University in Illinois, before following his father, Frank E. Chalfant Sr., and grandfather, Hugh E. McElroy, into law.

He earned a law degree at the University of Idaho. There he met Barbara Hurd. They married in 1950 and spent their honeymoon at a Forest Service fire lookout in northern Idaho. They lived in Moscow while he finished his law degree. They moved to Boise where Frank started his law practice in 1951 and continued to practice for 56 years. He served as Justice of the Peace, and president of the 4th District Idaho State Bar Association. He played a prominent role in Idaho court reform, including an amendment to the Idaho Constitution that did away with city and county judges.

He also was active in the Rotary Club and Toastmasters Club, and served as PTA president at Lowell Elementary School where

his children attended. Frank participated in Indian Guides and enjoyed fishing with his sons when they were young. He bought a horse for his daughter and helped in its care.

He was preceded in death by his parents and brother, Charles Chalfant. He is survived by his widow Barbara Chalfant, his brother, Hugh (Janet Ruth) Chalfant, daughter Pam (Niels) Nokkventved, two sons David Chalfant and Donald (Jana) Chalfant, grandchildren, Eli and Gabe Gibler, Derek and West Chalfant, Elise, Victor and Alex Chalfant; step grandchildren Jyla and Jimil Ataman and great-grandchildren, Gene and Arianna Gibler.

—RECOGNITION—

Givens Pursley LLP, congratulates lead partner and chair of the Transactions Practice Group, **Christopher Beeson**, chair of the Water Law Practice Group, **Christopher Meyer**, chair of the Natural Resources and Environmental Practice Groups, **Jeffrey Fereday**, chair of the Land Use Practice Group, **Gary Allen**, and chair of the Employment Practice Group, and **Robert White** for receiving top rankings in Chambers USA 2007. The rankings for lawyers are based on legal community submissions and attorney interviews.

Givens Pursley LLP also congratulates six partners on their recognition as *Mountain States Super Lawyers*. **Jeffrey Fereday** and **Christopher Meyer** were named for environmental law. **Christopher Beeson** and **Edward Miller** were named for real estate law. **Patrick Miller** was named for health care law. **David Lombardi** was named for general litigation. *Mountain States Super Lawyers* are selected after ballot nomination and evaluation based on 12 indicators of peer recognition and professional achievement.

Holland & Hart, Boise congratulates nine of their attorneys and four practice areas who were recognized in this year's Chambers USA: America's Leading Lawyers for Business. The rankings for lawyers are based on legal community submissions and attorney interviews. The attorneys listed as leaders in their respective practice areas are: **Steve Andersen** for general commercial litigation, **Walter Bithell** for general commercial litigation, **Robert Faucher** for bankruptcy/restructuring, **Murray Feldman** for natural resources and environment, **Linda Jones** for natural resources and environment and corporate/commercial, **Fred Mack** for corporate/commercial, **Bill Myers** for natural resources and environment, **Newal Squyres** for general commercial litigation, and **Larry Prince** for bankruptcy/restructuring and corporate/commercial.

Perkins Coie is pleased to announce that two partners in its Boise office have been named by their peers to the "*Mountain States Super Lawyers*" list. **Rick Boardman** and **Bob Maynard** were recognized by a panel comprised of their peers for their achievements in Business Litigation and Energy & Natural Resources, respectively. *Mountain States Super Lawyers* are selected after ballot nomination and evaluation based on 12 indicators of peer recognition and professional achievement.

Natalie Camacho Mendoza of Boise, Idaho was appointed as one of three new 2007 representatives to the 13-member Northwest Area Foundation board of directors. She; **Sally Pederson** of Des Moines, Iowa; and **Sarah Vogel** of Bismarck, North Dakota have been appointed to three-year terms.

Natalie is an attorney in Boise who is licensed in Idaho and Texas. She practices in the areas of worker's compensation, immigration law and American Indian law. Having grown up in poverty, Camacho Mendoza rose to manage her own private practice law firm. She has been active in Image de Idaho, a non-profit organization concerned with civil rights, employment and education of Idaho Hispanics, for which she served as president; the Idaho Commission on Hispanic Affairs; Hispanic Cultural Center of Idaho; and the mission committee for St. Alphonsus Regional Medical Center. Camacho Mendoza has a bachelor's degree in political science from Idaho State University and a law degree from Washburn University School of Law in Kansas.

—ON THE MOVE—

Perkins Coie is pleased to welcome associates **Erika Malmen** and **Sarah Duranske** to its Boise office. Erika is a member of the firm's national Environment & Natural Resources practice, Sarah is part of the Business practice.

Erika received her law degree from the University of Denver College of Law and her undergraduate degree in speech communication from the University of Utah. Prior to joining the firm, Erika worked for the U.S. Department of the Interior in Washington, D.C., serving first as an attorney for the Division of Land and Water and later as the acting special assistant to the solicitor. She also served as legal counsel to the Governor of Idaho's Office of Species Conservation.

Sarah joins the firm from Covington & Burling LLP in San Francisco, where she represented clients in stock purchase and asset purchase agreements; negotiated a wide array of contracts, including service agreements, consulting agreements and confidentiality agreements; advised clients on corporate formation; prepared stock option plans and related consents and filings; and prepared filings for the SEC. She earned her law degree from the University of California, Berkeley School of Law (Boalt Hall), where she was a publishing editor of the California Law Review, and received the Moot Court Advocacy Award. She earned her undergraduate degree in International Relations from Pomona College, where she was a Pomona Scholar.

Bradlee R. Frazer, a specialist in intellectual property, has joined the law firm of **Hawley Troxell Ennis & Hawley LLP**. Frazer, who will be of counsel to the firm, works with Internet law, e-commerce, technology and software licensing, trademarks and domain names, copyright, media law, computer law, trade secrets and related transactional work and litigation. He most recently was senior counsel to Technology Law Group, LLC, an intellectual property boutique law firm here. He is a frequent speaker on Internet law and intellectual property and has written on the topics for publications of the Idaho State Bar and the American Bar Association. He also is a guest lecturer at Boise State University and Northwest Nazarene University, and an active blogger on similar topics at

<http://internetlawyer.blogspot.com>. Brad holds a bachelor's degree from Brigham Young University, an MBA from the University of Utah and a law degree from University of California-Hastings.

Stephen C. Smith, an experienced trial lawyer and third-generation native of Boise, has joined the law firm of Hawley Troxell Ennis & Hawley LLP. Smith has tried cases in the federal courts of Hawaii, Washington, Guam and Alaska and has litigated complex matters, including casualty, construction, aviation, maritime, professional and medical malpractice, products liability and general commercial cases. Prior to joining Hawley Troxell, he was a trial specialist with Carlsmith Ball LLP in Honolulu. He previously was with major law firms in Seattle and Alaska, and has served as chairman of the Washington State Bar Disciplinary Board. Smith is a graduate of Georgetown University and the Tulane University of Georgia law school.

Trout Jones Gledhill Fuhrman, PA is pleased to announce the addition of attorneys to the firm. **Reid W. Hay** (Associate) joined the firm on September 11, 2006. **Christopher P. Graham** (Associate) joined the firm on March 1, 2007. **Todd J. Winegar** (Of Counsel) joined the firm on June 1, 2007. We are also pleased to announce Vicky J. Elkin has become the newest shareholder in the firm. In addition, Stephen J. Gledhill (Partner) was selected as a Fellow of the Litigation Counsel of America.

—ERRORS & OMISSIONS—

In the June/July issue of *The Advocate* the **ALPS** ad on page 3, had errors due to a software transfer issue with fonts. We regret the error and have rectified the problem with their ad on page 3 of this issue.

In the same issue the "In Memoriam" donation Linda and Jim Judd made in **Carolyn Justh's** name had a spelling error. The corrected version is on page 11 of this issue. We sincerely apologize for this error.

Dear Colleagues,

As many of you are aware, William J. Brauner passed away January, 2005. Pursuant to the request of the family, I have obtained the files of his law practice, including all of the original wills that he did over his forty-eight years of practice. Any inquiries about his files and/or wills are available at (208) 466-0050.

Respectfully,
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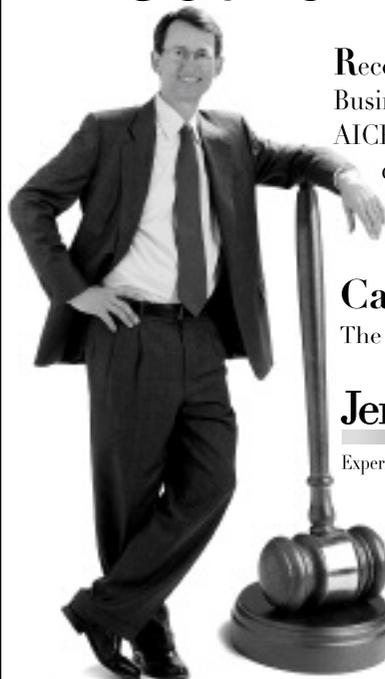
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The University of Idaho College of Law seeks to fill an entry-level, tenure-track faculty position beginning in the 2008 Fall semester in the area of Indian Law. The teaching package for the position will also include Civil Procedure. Teaching assignments could also include other courses in the area of Indian Law or courses relevant to the successful applicant's Indian Law expertise and the needs of the College of Law. Applicants must have a JD from an ABA accredited college or the equivalent and should also have a distinguished academic record and post J.D. practice, clerking and/or teaching experience.

We seek applicants who show promise as excellent teachers and productive scholars. Applications from individuals with a demonstrated commitment to Indian Law including scholarship in the area and/or significant experience working with tribes or with Indian people are encouraged. Situated in the beautiful Pacific Northwest, the University of Idaho is located in close physical proximity to the Coeur d'Alene and Nez Perce Indian Reservations and has working relationships with both tribes. The University is a comprehensive research institution that is enriched by its proximity to Washington State University.

Interested persons should either apply online at www.hr.uidaho.edu or send a letter of application and resume listing three references by regular mail to Committee Chair, Faculty Appointments Committee, University of Idaho, College of Law, PO Box 442321, Moscow, Idaho 83844-2321. We will begin reviewing applications on September 15, 2007 and will consider applications until the position is filled. The University of Idaho is an affirmative action, equal opportunity employer. Applications from those who would increase faculty diversity at the College of Law, or with significant experience working with diverse populations, are encouraged. More information about the College of Law is available at www.law.uidaho.edu.

September/October CLE Courses

September 2007

Advanced Estate Planning

Sponsored by the Taxation, Probate and Trust Section
September 14 & 15, 2007
Sun Valley Resort
10 CLE Credits of which 1.0 are Ethics

Bankruptcy Law for the Non-Bankruptcy Attorney

Sponsored by the Idaho Law Foundation
September 14, 2007
Law Center Boise
3.0 CLE Credits

The Law and Mental Health

Sponsored by the Idaho Law Foundation
September 21, 2007
Doubletree Riverside Boise
5 CLE Credits of which 1.0 are Ethics (*pending*)

Video Replay

Sponsored by the Idaho Law Foundation
September 27, 2007
Law Center, Boise
10:00 a.m. to 2:00 p.m.
(RAC Approved)

Idaho Practical Skills

Sponsored by the Idaho Law Foundation
September 28, 2007
8:00 a.m. to 4:00 p.m.
Boise Centre on the Grove
6.0 CLE Credits of which 1.0 are Ethics
(RAC Approved)

October 2007

Family Law Seminar

Sponsored by the Family Law Section
October 5, 2007—Boise
October 12, 2007—Moscow
October 19, 2007—Pocatello

November - December 2007

Headline News Year in Review

Sponsored by the Idaho Law Foundation
November 30, 2007—Coeur d'Alene
December 7, 2007—Pocatello
December 14, 2007—Boise
(RAC Approved)

2007 Annual Meeting—CLE Program Materials
available on CD for \$15.00 Quantities limited
www.idaho.gov/isb
(208) 334-4500 and ask for Eric White.

The Law Center

525 West Jefferson Street
Boise, Idaho 83702
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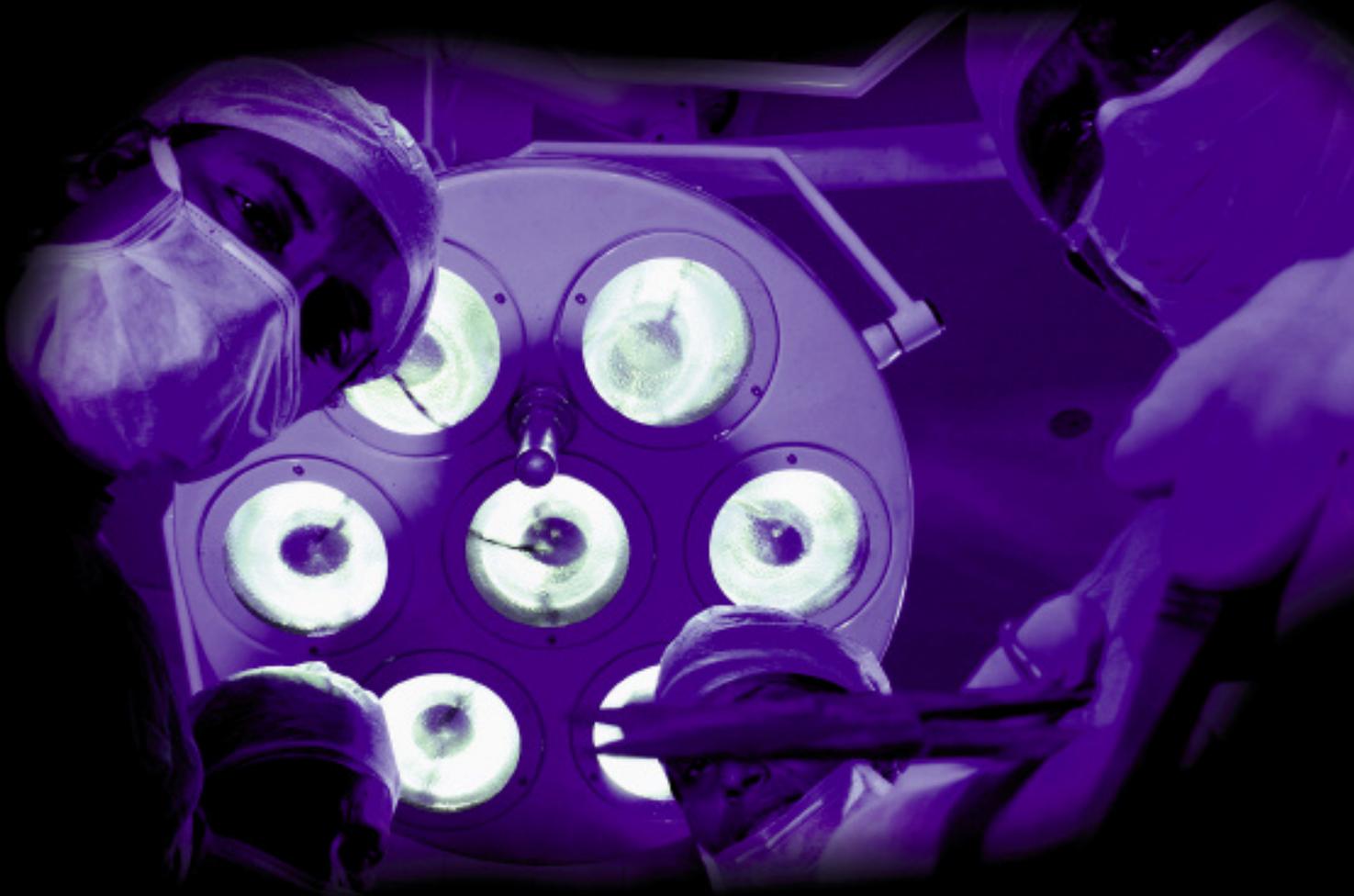
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